

UNIVERSITY OF AKRON
SUMMIT COUNTY
REGULAR AND SINGLE AUDIT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

Board of Trustees
The University of Akron
302 Buchtel Common
Akron, Ohio 44325

We have reviewed the *Independent Auditor's Report* of The University of Akron, Summit County, prepared by Crowe LLP, for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

February 01, 2024

This page intentionally left blank.



(A component unit of the State of Ohio)

Financial Report

With Supplemental Information

June 30, 2023

This page intentionally left blank.

The University of Akron

Table of Contents

	<u>Pages</u>
Management's Discussion and Analysis (Unaudited)	1 - 9
Independent Auditor's Report	10 - 12
Basic Financial Statements	
Statements of Net Position	13
Statements of Revenues, Expenses, and Changes in Net Position	14
Statements of Cash Flows	15
Notes to the Basic Financial Statements	16 – 54
Required Supplementary Information	55
Schedule of University's Proportionate Share of the Net Pension Liability	56
Schedule of University Pension Contributions.....	57
Schedule of University's Proportionate Share of the Net OPEB Liability/(Asset)	58
Schedule of University OPEB Contributions.....	59
Schedule of Changes in the University's Net OPEB Liability and Related Ratios.....	60
Notes to the Required Supplementary Information	61 - 62
Supplemental Financial Information	63
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64 - 65
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance	66 - 68
Schedule of Expenditures of Federal Awards	69 - 74
Notes to Schedule of Expenditures of Federal Awards	75 – 76
Schedule of Findings and Questioned Costs	77 – 80

This page intentionally left blank.

The University of Akron

Management's Discussion and Analysis (Unaudited)

June 30, 2023

The discussion and analysis of The University of Akron's (The University) annual financial performance provides an overall review of The University's financial activities for the fiscal year ended June 30, 2023. This discussion and analysis views The University's financial performance as a whole; readers should also review the basic financial statements and related notes to the basic financial statements to enhance their understanding of The University's financial performance.

Using the Annual Financial Report

The annual report is prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities, and consists of this Management's Discussion and Analysis, three separate but interrelated financial statements, and the Report of Independent Auditors. The financial statements are prepared using the accrual basis of accounting, which is similar to the accounting method used by many private sector companies. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when incurred.

The University's financial statements include the *Statements of Net Position*; *Statements of Revenues, Expenses and Changes in Net Position*; and *Statements of Cash Flows*. The financial statements focus on the financial condition, results of operations, and cash flows of The University, as a whole.

The Statements of Net Position includes all assets and liabilities, as well as deferred outflows and deferred inflows of resources, with the residual balance reported as *net position*. The assets and liabilities are presented in the order of relative liquidity while *net position* is categorized as *Net investment in capital assets, Restricted, or Unrestricted*. Over time, increases or decreases in *net position* are an indicator of the improvement or erosion of The University's financial health.

The Statements of Revenues, Expenses, and Changes in Net Position presents revenues earned and expenses incurred during the year. The revenues and expenses are classified as either operating or nonoperating. The State of Ohio (State) provides significant operating and capital financial resources to The University, which are classified as nonoperating revenues; therefore, substantial operating losses are not uncommon for public colleges and universities. For the fiscal years ended June 30, 2021, 2022, and 2023, the State provided approximately \$101 million, \$107 million, and \$99 million, respectively, for operating and capital purposes while The University's operating losses were approximately \$91 million, \$118 million, and \$151 million, respectively, for each of those years.

The Statements of Cash Flows presents information related to cash inflows and outflows summarized within the activities of *operating, noncapital financing, capital and related financing, and investing activities*. Cash flows from *operating* activities generally result from the provision of goods or services in the normal course of doing business and are generally the cash effects of transactions that determine *operating income*. Meanwhile, *noncapital financing activities* typically include borrowing and repaying money for purposes other than acquiring, constructing, or improving capital assets.

Conversely, *capital and related financing activities* generally include acquiring and disposing of capital assets, borrowing and repaying money for acquiring, constructing, or improving capital assets, and paying for capital assets obtained from vendors on credit. The *investing activities* generally relate to making and collecting loans and acquiring and disposing of debt or equity instruments.

The University is considered a discretely presented component unit of the State of Ohio and as such, The University's financial activity is also included within the State of Ohio's Annual Comprehensive Financial Report. The University has two discretely presented component units that are combined and reported in a separate column on The University's financial statements to emphasize that each are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. Since the focus of this discussion is on The University, these component units are not included in the narratives or numbers of the Management's Discussion and Analysis. However, the component units are described in greater detail in the financial statements and notes to the basic financial statements.

The University of Akron
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Statements of Net Position

The following table summarizes The University's Statements of Net Position for the most recent three fiscal years (in millions):

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Assets:			
Current assets	\$ 259.1	\$ 237.6	\$ 196.8
Noncurrent assets:			
Capital	634.2	612.0	595.7
Other	<u>121.5</u>	<u>107.6</u>	<u>122.8</u>
Total assets	<u>1,014.8</u>	<u>957.2</u>	<u>915.3</u>
Deferred outflow of resources	71.2	69.3	82.7
Liabilities:			
Current liabilities	78.2	62.5	62.3
Noncurrent liabilities	<u>651.3</u>	<u>491.6</u>	<u>553.9</u>
Total liabilities	<u>729.5</u>	<u>554.1</u>	<u>616.2</u>
Deferred inflow of resources	93.2	179.9	92.5
Net position:			
Net investment in capital assets	269.3	259.1	264.4
Restricted:			
Nonexpendable	28.4	29.4	29.6
Expendable	88.6	78.4	83.3
Unrestricted	<u>(123.0)</u>	<u>(74.4)</u>	<u>(88.0)</u>
Total net position	<u>\$ 263.3</u>	<u>\$ 292.5</u>	<u>\$ 289.3</u>

Assets and deferred outflows of resources

Current assets include those highly liquid assets that are used for current operations such as cash and cash equivalents; investments; accounts, pledges, student notes, and accrued interest receivable; inventories; and prepaid expenses. In 2022, accounts receivable decreased by \$26.3 million due to spending of the COVID grant funding driving a decrease in current assets of \$23.3 million. In 2023, current assets decreased by \$40.8 million due to a \$37.6 million decrease in cash and investments which was used for operations.

Noncurrent assets consist of endowment and restricted investments, pledges and student notes receivable, long-term prepaid expenses and deferred charges, and capital assets. Noncurrent assets decreased \$36.1 million and \$1.1 million for 2022 and 2023, respectively. The changes in 2022 were due to decreases in capitalization of equipment of \$22.1 million and decreases in endowment investments of \$11.9 million caused primarily by unrealized losses. The changes in 2023 were due to decreases in capitalization of equipment of \$15.2 million offset by a \$16.0 increase in right-to-use assets.

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position like assets and consists of deferred amounts on The University's bond refunding transactions and the effects of changes in the net pension and net other postemployment benefits (OPEB) liability to be included in future pension and OPEB expense. Deferred outflows decreased by \$1.9 million in 2022 and increased \$13.3 million in 2023. The changes for 2022 and 2023 were primarily attributed to future pension and OPEB expense.

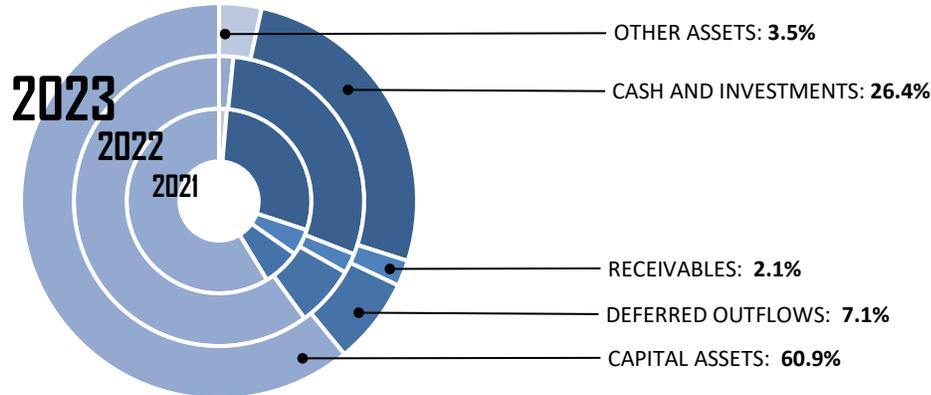
The University of Akron

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Assets and deferred outflows of resources (continued)

Following is the composition of assets and deferred outflows for each year (with 2023 percentages):



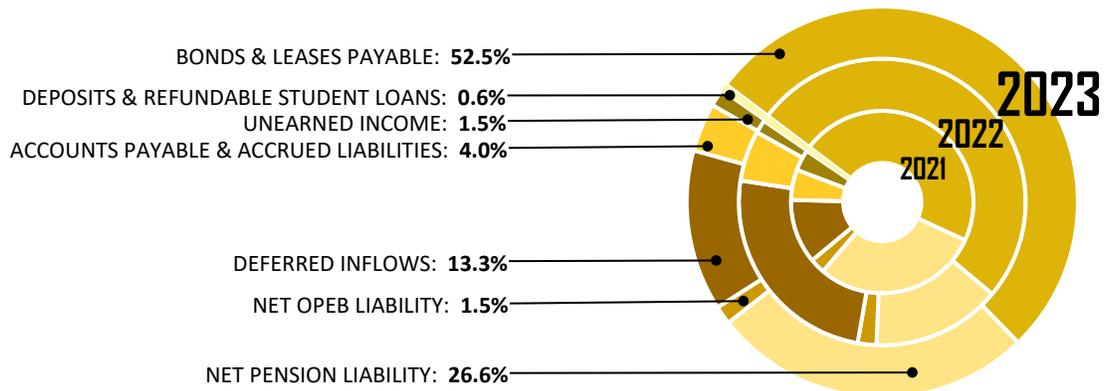
Liabilities and deferred inflows of resources

Current liabilities include all items that are due or mature within one year. The current liabilities include accounts payable, accrued liabilities, accrued interest payable, unearned income, and the short-term portion of long-term liabilities. Current liabilities decreased \$15.7 million and \$0.2 million for 2022 and 2023, respectively. The largest changes in 2022 were from unearned income decreasing by \$19.8 million back to pre-COVID levels, and the current portion of long-term liabilities increasing by \$5.9 million. The largest changes in 2023 changes were from a \$3.0 million decrease in accrued salaries and fringes, and a \$2.4 million increase in accounts payable.

Noncurrent liabilities consist of refundable federal student loans, net pension liability, net other postemployment benefit liabilities, and long-term debt including capital leases, software subscriptions, and sick leave. Noncurrent liabilities decreased by \$159.7 million in 2022 and increased \$62.3 million in 2023. For 2022, \$134.0 million was a decrease in net pension liability and \$15.7 million was a decrease to long-term liabilities due primarily to a net reduction of \$11.4 million in bonds payable. For 2023, there was a \$78.9 million increase in the net pension liability which was offset by a \$1.0 million decrease in long-term liabilities.

Deferred inflows of resources are the acquisition of net assets applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position similar to liabilities. Deferred inflows of resources increased \$86.7 million and decreased \$87.4 million in 2022 and 2023, respectively. During 2022, a pension increase of \$90.5 million was offset slightly by an OPEB decrease of \$3.5 million. During 2023, pensions decreased by \$80.4 million.

Following is the composition of liabilities and deferred inflows for each year (with 2023 percentages):



The University of Akron
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Net position

As reflected earlier, *net position* represents the residual balance and, over time, is one indicator of improving or eroding financial health. Net position represents the difference between all other elements in the statements of net position and is displayed in three components: Net investment in capital assets, Restricted, or Unrestricted. Restricted net position includes both expendable and nonexpendable components. For 2022, net position increased by \$29.2 million as unrestricted funds increased by \$44.3 million due to the net change in Pension and were only partially offset by decreases of \$11.7 million and \$10.2 million in endowments and net investment in capital assets, respectively. For 2023, net position decreased \$3.2 million as unrestricted funds decreased by \$13.7 million due to the net change in Pension and OPEB which was offset by a \$6.5 million increase in endowment market value.

Statements of Revenues, Expenses, and Changes in Net Position

The following table summarizes The University's Statements of Revenues, Expenses, and Changes in Net Position for the most recent three fiscal years (in millions):

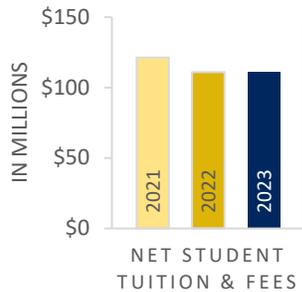
	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating revenues:			
Tuition and fees (net)	\$ 121.3	\$ 110.9	\$ 102.9
Grants and contracts	20.5	22.3	23.0
Sales and services	4.3	4.8	4.8
Auxiliary enterprises	16.6	23.1	23.1
Other operating revenues	2.5	2.8	3.9
Total operating revenues	<u>165.2</u>	<u>163.9</u>	<u>157.7</u>
Operating expenses:			
Educational and general:			
Instruction and departmental research	99.2	95.6	103.9
Other educational and general	151.6	158.9	146.1
Auxiliary enterprises	29.9	38.2	40.7
Pension and OPEB revenue	(71.8)	(51.8)	(25.1)
Depreciation/Amortization	47.1	39.6	41.3
Total operating expenses	<u>256.0</u>	<u>280.5</u>	<u>306.9</u>
Operating loss	(90.8)	(116.6)	(149.2)
Nonoperating revenues (expenses):			
State appropriations	95.0	95.5	87.5
Federal grants	55.7	60.3	25.4
Gifts and distributions	18.1	16.9	18.3
Other nonoperating (net)	22.6	(40.1)	3.0
Net nonoperating revenues	<u>191.4</u>	<u>132.6</u>	<u>134.2</u>
Gain (loss) before other changes	100.6	16.0	(15.0)
Other changes:			
Capital appropriations	6.1	11.8	11.3
Other changes (net)	7.2	1.4	0.5
Total other changes	<u>13.3</u>	<u>13.2</u>	<u>11.8</u>
Increase (decrease) in net position	113.9	29.2	(3.2)
Net position:			
Net position - beginning of year	149.4	263.3	292.5
Net position - end of year	<u>\$ 263.3</u>	<u>\$ 292.5</u>	<u>\$ 289.3</u>

The University of Akron

Management's Discussion and Analysis (Unaudited)

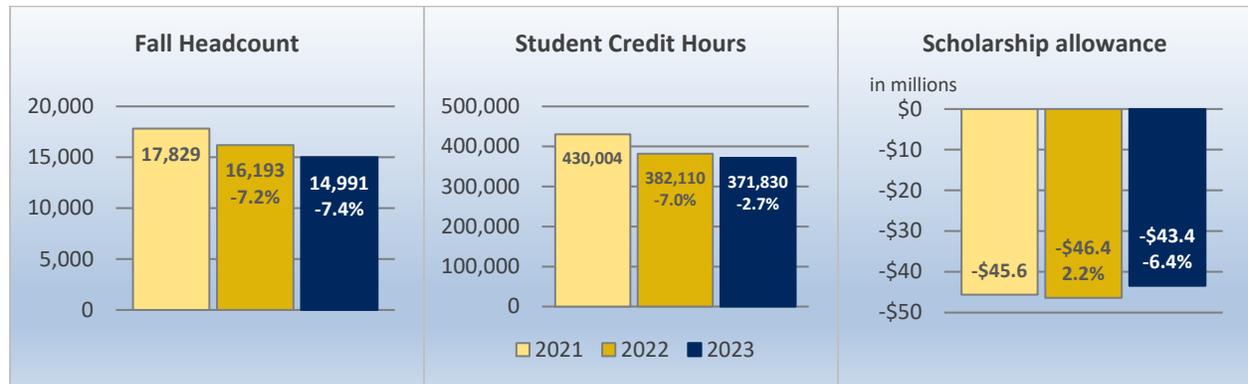
June 30, 2023

Operating revenues



Student tuition and fees include all tuition and fees assessed for educational purposes, net of refunds and recognized discounts. Beginning in the fall 2018, new baccalaureate degree seeking students to The University participate in the Tuition Guarantee Program which provides fixed tuition, select fees, and room and board rates for each incoming cohort. In addition, GASB requires the portion of student aid, which is provided in the form of reduced tuition, to be reported as a reduction of this revenue, or scholarship allowance. Net tuition and fees decreased 8.5% in 2022 and 7.3% in 2023. Changes in net tuition and fees were attributable to the student headcount, student credit hours taken, and fees charged.

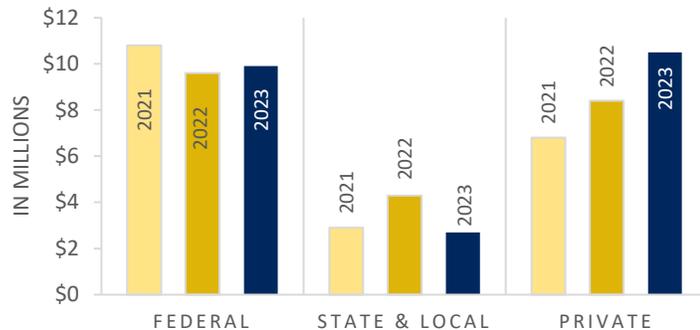
The following charts reflect certain changes that have an effect on the net student tuition and fee revenue:



Sources: The University of Akron Planning, Strategy & Insights Department and Office of the Controller.

Grants and contracts include the combined federal, state, local, and private grants and contracts revenue. This represents The University's continued pursuit of federal, state, local, and private funding for research-related activities.

The largest component of these revenues was from federal sources.



The largest sources of federal revenue were (in millions):

Agency	2021	2022	2023
National Science Foundation	\$ 3.9	\$ 4.4	\$ 4.3
Department of Education	3.8	0.3	2.7
Department of Health and Human Services	1.8	1.5	1.1
Other agencies	1.3	3.4	1.8
Total federal revenues	\$ 10.8	\$ 9.6	\$ 9.9

The University of Akron

Management's Discussion and Analysis (Unaudited)

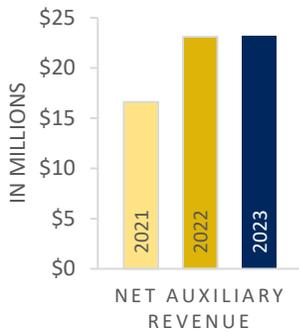
June 30, 2023

Operating revenues (continued)

Sales and services revenue is from certain operations, which provide services to both students and other departments within The University campus. During 2022 sales increased by \$0.5 million due to increases in Printing Services and Continuing and Professional Education. During 2023 the most significant of these operations was the College of Business Executive Education and the Professional Education Contract Training.



Auxiliary enterprises revenue is generated from operations which predominantly exist to furnish goods or services to students, faculty, staff, or the general public. These types of activities are intended to be self-supporting in that the revenues generated are intended to cover the costs of providing the services.



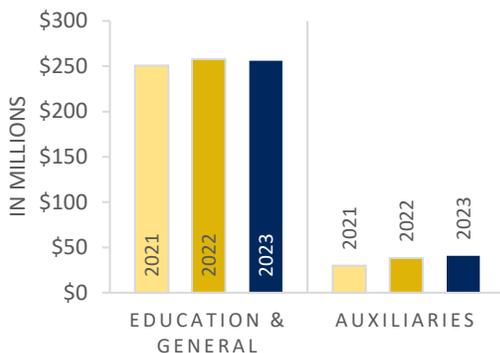
The University's auxiliary services include the residence halls, student unions, intercollegiate athletics and athletic facilities, parking services, E.J. Thomas Performing Arts Hall, and dining. The predominant revenues within this area are (in millions):

<u>Auxiliary</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Residence halls	\$ 11.6	\$ 11.9	\$ 12.4
Athletics	3.5	8.2	1.8
Dining	1.4	1.2	1.3
Parking and transportation services	4.3	5.2	4.8
Other auxiliaries	1.0	3.1	8.9
Scholarship allowance	(5.3)	(6.5)	(6.0)
Total net auxiliary revenue	\$ 16.5	\$ 23.1	\$ 23.2

Operating expenses

One way to analyze expense is according to the purpose for which the costs are incurred, or their *functional* classification. These classifications help explain why an expense was incurred rather than what was purchased.

The educational and general expenses category is the single largest category of operating expenses and includes all academic and administrative support costs. In 2022, these expenses increased by \$7.1 million as Scholarship and fellowships increased by \$9.0 million and institutional support by \$2.8 million while instruction and department research and public service decreased by \$3.7 million and \$2.4 million, respectively. In 2023, these expenses decreased \$4.4 million with instruction and department research increasing by \$8.4 million while scholarships decreased \$19.1 million to pre-Covid levels.



Auxiliary enterprises expenses result from operations, which as previously noted, predominantly furnish goods or services to students, faculty, staff, or the public. Auxiliary enterprise expenses increased 28.0% and 6.9% during 2022 and 2023, respectively.

The University of Akron

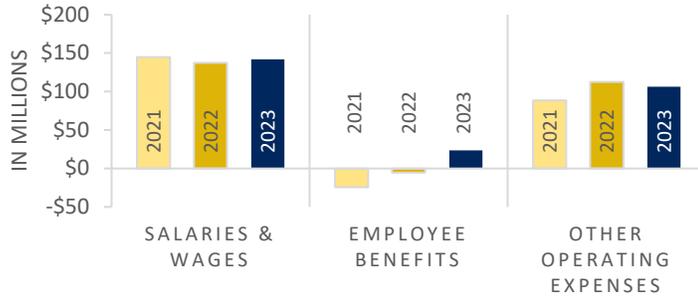
Management's Discussion and Analysis (Unaudited)

June 30, 2023

Operating expenses (continued)

Another way to review expenses is according to the type of costs that are incurred, or their *natural* classification. These classifications tell what was purchased rather than why an expense was incurred.

Salaries and wages include expenses paid and owed to faculty, staff, and student employees. These expenses decreased 0.5% during 2022 and increased 3.4% during 2023, due to changes in the total number of employees and any contractual wage increases.



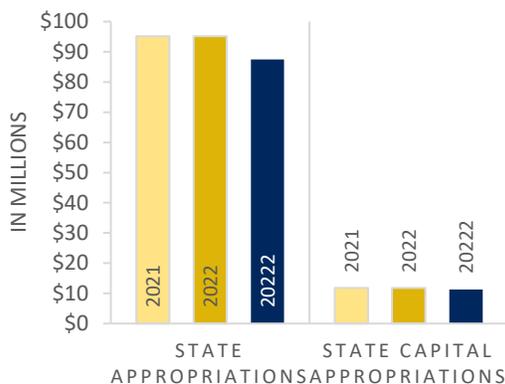
Employee benefits include expenses paid to or on behalf of faculty, staff, and student employees. It includes amounts required by law, contractual agreement, or institutional practice. These benefits include The University's portion of payroll taxes, pension, healthcare, and other employee-related benefit programs. Pension and OPEB calculations were made according to GASB 68 and 75, respectively. For 2022, the impacts of negative expense for the pension and OPEB plans more than offset other benefits resulting in net expense of negative \$5.5 million. For 2023, lower pension and OPEB revenues offsetting other benefits resulted in net expense of \$23.6 million.

Other operating expenses include items such as supplies, utilities, scholarships and fellowships, travel and other contractual services. For 2022, other expenses increased by 27% driven by increases in scholarships and fellowships of \$9.0 million, supplies and services of \$8.3 million, and travel and hospitality of \$4.7 million. For 2023, other expenses decreased by 5.5% driven by increases in supplies and services of \$8.7 million which was offset by a \$17.9 million decrease in scholarships and fellowships due to the end of Covid relief.



Generally, *depreciation and amortization* expenses are predictable from year to year, considering items which become fully depreciated during the prior year and capital asset additions and deletions for the current year. Unlike many items that are expensed when purchased, The University capitalizes most long-term assets. The assets are then expensed over estimated useful lives ranging from three years for certain equipment to 40 years for buildings. Depreciation/amortization expense decreased by \$9.0 million due to reduced amounts recorded for buildings. For 2023, depreciation/amortization expense decreased \$1.8 million due to reduced amounts recorded for current buildings that was offset by the addition of the Crouse/Ayer building renovation.

Nonoperating revenues and expenses



State appropriations represent the most significant nonoperating revenue source for The University. State appropriations funding held steady for 2022 and decreased \$8.0 million in 2023.

The State of Ohio also provides *capital appropriations* to The University. Unlike the operating resources reflected previously, these resources are provided to assist with The University's capital needs. The funding is provided through the Ohio Department of Higher Education (ODHE) and based upon certain formulas and a capital plan provided by The University. The capital appropriation, once allocated, is fixed but the revenues vary from year to year based upon The University's actual expenditures on these projects.

The University of Akron

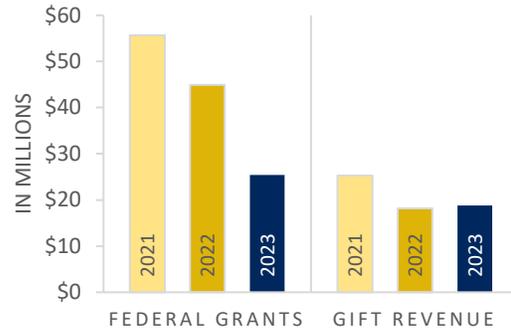
Management's Discussion and Analysis (Unaudited)

June 30, 2023

Nonoperating revenues and expenses (continued)

The University records Pell grant awards as nonoperating *federal grant* revenue. Federal grant revenue increased 8.4% during 2022 and decreased 57.9% during 2023. In 2022 and 2023, COVID-19 relief funds recognized decreased to \$21.5 million and \$34.8 million, respectively.

The University receives *gifts and distributions* from a wide array of friends including alumni, the business community, and foundations. The University views continued donor support as integral to its continued success. Student scholarships, capital construction costs, and endowed positions are a result of our very generous contributors. Oftentimes, gifts and awards are accompanied by donor restrictions. The University maintains a system of internal controls to ensure the gifts are used solely in accordance with the grantor's requirements. Gift revenues increased by \$1.4 million during 2022 and increased by \$0.6 million during 2023.



Other net nonoperating revenues and expenses represent the remaining sources and uses of funds that generally do not result from providing educational and instructional services in connection with The University's principal ongoing operations including investment income and interest payments on debt.



Investment income, net of investment expenses, decreased \$63.5 million during 2022 and increased \$42.2 million during 2023. The changes were due to overall fluctuations in returns on all investments and the balances invested.

GASB requires investments to be reported at fair value for financial statement reporting purposes. For 2022, the favorable trend of unrealized appreciation reversed into a net decrease of \$33.8 million. Included in the change in net investment income was a net increase of \$11.4 million in 2023 within net unrealized appreciation on investments because of market conditions as of fiscal year end. These changes in investments were not redeemed but were recorded as adjustment to the fair value of the investments.

Interest on debt includes the interest incurred during the fiscal year on all debt and leases less capitalized interest. Interest expense decreased \$1.5 million to \$14.0 million in 2022 and decreased \$0.1 million to \$13.9 million in 2023.

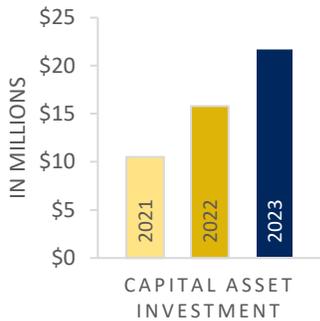


The University of Akron

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Capital Assets and Long-term Debt Activity



The University uses state capital appropriations, internal resources including the proceeds from debt issuances, and gifts and other grants for capital asset expansion throughout the campus. During 2022 and 2023, renovations in the consolidation of Crouse and Ayers Halls was most of the spending. The capital asset activity is reflected in more thorough detail within Note 5 of the financial statements.

The University's long-term debt principally consists of its general receipts bonds, which totaled \$352.7 million, \$350.7 million, and \$313.0 million in 2021, 2022, and 2023, respectively. During 2022, The University issued bond series 2021A and 2021B to refinance the remaining portion of 2018B and a significant portion of 2015A. The University's bond rating given by Moody's Investors Service in October 2021 was changed to A2 from A1 while the outlook continues to be stable. Fitch Ratings, Inc. revised the University's bond rating in November 2021 from A+ to A and has revised the outlook to stable from negative. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.



Factors Impacting Future Periods



of every revenue dollar comes from tuition or state support

Student tuition and fees and state appropriations are the principal revenue sources which supported The University's annual operations. For both 2022 and 2023, those revenue sources alone represented \$206.5 million and \$190.4 million, respectively, of The University's total operating and nonoperating revenues. The aggregate remaining operating and nonoperating revenues, excluding the change in the fair value of investments, totaled \$143.0 million and \$115.8

million in 2022 and 2023, respectively.

The University continues to budget to align its revenues with expenditures to offset additional enrollment declines. Items impacting 2023 include redesigning the scholarship program to increase enrollment and retention and evaluation of the campus footprint.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The University of Akron

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of The University of Akron (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2023 and 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University has adopted Government Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, as of July 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

(Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of University's Proportionate Share of the Net Pension Liability, the Schedule of University Pension Contributions, the Schedule of University's Proportionate Share of the Net OPEB Liability/Asset, the Schedule of University OPEB Contributions and the Schedule of Changes in the University's Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Columbus, Ohio
November 30, 2023

The University of Akron
Statements of Net Position
June 30, 2023 and 2022

ASSETS	The University of Akron		Component Units	
	2023	2022	2023	2022
Current assets:				
Cash and cash equivalents	\$ 14,921,596	\$ 10,871,527	\$ 2,117,477	\$ 10,055,875
Pooled investments	163,121,003	204,731,483	6,302,321	6,315,094
Accounts receivable, net	14,616,790	15,777,133	1,845,231	1,430,805
Pledges receivable, net	1,168,787	1,193,305	1,339,430	1,669,921
Notes receivable, net	729,301	817,243	210,884	220,884
Lease receivable, net	2,498	320,537	-	-
Accrued interest receivable	604,618	397,500	-	-
Inventories	562,795	540,063	-	-
Prepaid expenses	1,114,888	2,901,616	140,589	178,676
Total current assets	196,842,276	237,550,407	11,955,932	19,871,255
Noncurrent assets:				
Restricted cash and cash equivalents	638,421	265,399	-	-
Restricted investments	2,244,649	3,400,826	1,305,055	1,104,886
Endowment investments	77,984,380	73,556,014	235,460,505	217,016,683
Investments held in trust by others	6,895,228	7,321,661	-	-
Pledges receivable, net	1,229,675	1,143,862	9,695,867	10,319,033
Notes receivable, net	2,491,370	3,305,778	1,175,000	-
Lease receivable, net	-	2,498	-	-
Capital assets, net	595,659,791	612,048,191	4,258,791	3,935,351
Right-to-use assets, net	19,900,769	3,993,665	-	-
Net OPEB Asset	11,396,000	14,558,945	-	-
Total assets	915,282,559	957,147,246	263,851,150	252,247,208
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refundings	26,121,311	28,714,994	-	-
Deferred outflows related to pensions	50,127,568	35,932,431	-	-
Deferred outflows related to OPEB	6,430,331	4,702,302	-	-
Total deferred outflow of resources	82,679,210	69,349,727	-	-
LIABILITIES				
Current liabilities:				
Accounts payable	7,129,344	4,740,730	3,030,805	2,759,192
Accrued liabilities	13,348,258	16,425,507	776,288	553,640
Accrued interest payable	6,895,228	7,321,661	-	-
Unearned income	10,107,919	10,800,583	158,546	101,780
Current portion of long-term liabilities	24,792,799	23,188,960	-	-
Total current liabilities	62,273,548	62,477,441	3,965,639	3,414,612
Noncurrent liabilities:				
Refundable federal student loans	3,952,469	5,123,876	-	-
Actuarial liability for annuity/unitrust agreements	-	-	8,394,893	8,874,610
Net pension liability	185,062,903	106,199,641	-	-
Net OPEB liability	10,601,572	15,358,908	-	-
Long-term liabilities	354,308,511	364,927,794	1,172,902	2,158,073
Total liabilities	616,199,003	554,087,660	13,533,434	14,447,295
DEFERRED INFLOW OF RESOURCES				
Deferred inflows related to pensions	49,802,606	130,198,708	-	-
Deferred inflows related to OPEB	38,603,558	44,684,925	-	-
Other deferred inflows	4,058,390	5,001,820	-	-
Total deferred inflow of resources	92,464,554	179,885,453	-	-
NET POSITION				
Net investment in capital assets	264,443,783	259,108,261	3,085,889	1,777,278
Restricted:				
Nonexpendable: Endowment				
Expendable: Research and gifts	29,609,684	29,376,597	160,412,669	152,244,857
Loans	46,721,405	43,516,667	-	-
Endowment	888,278	842,282	-	-
Capital projects	35,010,988	31,950,480	71,842,508	68,706,233
Debt service	-	1,580,385	-	-
Unrestricted (deficit)	632,378	504,719	-	-
	(88,008,304)	(74,355,531)	14,976,650	15,071,545
Total net position	\$289,298,212	\$292,523,860	\$250,317,716	\$237,799,913

The University of Akron
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	The University of Akron		Component Units	
	2023	2022	2023	2022
REVENUES				
Operating revenues:				
Student tuition and fees	\$146,315,861	\$157,350,442	\$ -	\$ -
Scholarship allowance	(43,432,702)	(46,400,409)	-	-
Net student tuition and fees	102,883,159	110,950,033	-	-
Federal grants and contracts	9,906,655	9,681,918	-	-
State grants and contracts	2,536,342	4,551,244	-	-
Local grants and contracts	163,440	(209,165)	-	-
Private grants and contracts	10,372,062	8,343,306	429,778	494,240
Gifts and contributions	-	-	8,980,446	16,398,775
Sales and services	4,768,155	4,753,596	-	-
Auxiliary enterprises	29,171,457	29,551,713	-	-
Scholarship allowance	(6,002,014)	(6,450,948)	-	-
Net auxiliary enterprises	23,169,443	23,100,765	-	-
Other sources	3,916,638	2,750,005	2,876,519	2,265,383
Total operating revenues	157,715,894	163,921,702	12,286,743	19,158,398
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	103,920,767	95,554,894	-	-
Separately budgeted research	12,609,892	12,974,014	3,492,398	2,937,466
Public service	11,506,438	10,208,378	-	-
Academic support	28,581,304	27,336,709	-	-
Student services	12,777,229	11,652,354	-	-
Institutional support	42,674,270	38,979,790	1,395,300	1,068,183
Operation and maintenance of plant	17,931,608	18,621,653	-	-
Scholarships and fellowships	20,083,567	39,138,316	-	-
Auxiliary enterprises	40,704,826	38,180,412	-	-
Pension revenue	(15,727,977)	(44,319,684)	-	-
OPEB revenue	(9,403,787)	(7,483,664)	-	-
Depreciation/amortization	41,277,048	39,653,013	306,355	374,536
Total operating expenses	306,935,185	280,496,185	5,194,053	4,380,185
Operating (loss) income	(149,219,291)	(116,574,483)	7,092,690	14,778,213
NONOPERATING REVENUES (EXPENSES)				
State appropriations	87,472,204	95,504,251	-	-
Federal grants	25,389,194	60,339,376	-	-
Gifts	4,785,940	5,204,365	-	-
Investment income, net	16,409,850	(25,756,689)	19,291,487	(16,179,158)
Interest on debt	(13,879,776)	(14,039,217)	(83,871)	17,896
Distributions to The University	13,531,496	11,699,426	(13,531,496)	(11,699,426)
Distributions on behalf of The University	-	-	(431,089)	(641,117)
Other nonoperating (expenses) revenues	462,910	(317,232)	180,082	685,965
Net nonoperating revenues (expenses)	134,171,818	132,634,280	5,425,113	(27,815,840)
(Loss) income before other changes	(15,047,473)	16,059,797	12,517,803	(13,037,627)
OTHER CHANGES				
State capital appropriations	11,286,325	11,821,792	-	-
Capital gifts and grants	503,922	1,076,962	-	-
Additions to permanent endowments	31,578	254,322	-	-
Total other changes	11,821,825	13,153,076	-	-
(Decrease) increase in net position	(3,225,648)	29,212,873	12,517,803	(13,037,627)
NET POSITION				
Net position - beginning of year	292,523,860	263,310,987	237,799,913	250,837,540
Net position - end of year	<u>\$289,298,212</u>	<u>\$292,523,860</u>	<u>\$250,317,716</u>	<u>\$237,799,913</u>

The University of Akron
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 103,072,929	\$ 109,680,664
Grants and contracts	24,187,200	30,018,855
Auxiliary enterprises	22,376,957	22,218,635
Sales and service of educational activities	4,768,033	4,753,596
Payments to suppliers	(74,872,218)	(71,116,848)
Payments for compensation and benefits	(194,900,552)	(185,626,905)
Payments for scholarships and fellowships	(22,708,666)	(39,446,457)
Loans issued to students	(38,284)	(65,651)
Collection of loans to students	111,643	130,117
Other receipts	1,576,525	1,518,557
Net cash from operating activities	(136,426,433)	(127,935,437)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	87,472,204	95,504,251
Gifts, grants, and contracts for other than capital purposes	43,557,557	77,312,148
Private gifts for endowment purposes	31,578	397,335
Collection of loans to students for Perkins Program	828,990	813,728
Other payments	(330,198)	(317,232)
Net cash from noncapital financing activities	131,560,131	173,710,230
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	-	228,643
Capital appropriations	11,286,325	11,821,792
Capital grants and gifts received	503,922	1,128,735
Purchases of capital assets	(26,962,843)	(18,245,229)
Principal paid on capital debt and leases	(16,619,765)	(11,801,331)
Interest paid on capital debt and leases	(14,325,911)	(14,358,572)
Net cash from capital financing activities	(46,118,272)	(31,225,962)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	184,435,584	158,113,585
Interest on investments	4,798,688	7,875,280
Purchase of investments	(133,826,607)	(183,903,827)
Net cash from investing activities	55,407,665	(17,914,962)
Net change in cash and cash equivalents	4,423,091	(3,366,131)
Cash and cash equivalents, restricted cash and cash equivalents - beginning of the year	11,136,925	14,503,056
Cash and cash equivalents, restricted cash and cash equivalents - end of the year	<u>\$ 15,560,016</u>	<u>\$ 11,136,925</u>
NONCASH TRANSACTIONS		
Proceeds from capital debt paid directly by bank included in Note 6	\$ -	\$ 38,041,733
Repayment of capital debt paid directly by bank included in Note 6	\$ -	\$ (37,813,090)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (149,219,291)	\$ (116,574,483)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation/amortization expense	41,277,048	39,653,013
Changes in assets, and liabilities, and deferred inflows/outflows:		
Accounts receivable, net	1,160,343	26,303,127
Notes receivable, net	73,359	64,466
Inventories	(22,732)	11,473
Prepaid expenses	1,786,729	(185,525)
Net OPEB asset	3,162,945	(1,262,313)
Accounts payable	3,234,773	765,314
Accrued liabilities	(3,077,249)	(2,705,500)
Unearned income	(543,591)	(19,755,768)
Sick leave liability	(1,184,294)	45,489
Net pension liability	78,863,262	(134,003,396)
Net OPEB liability	(4,757,336)	(6,532,772)
Deferred inflows / outflows relating to pension	(94,591,239)	89,683,712
Deferred inflows / outflows relating to OPEB	(7,809,396)	311,421
Lease receivable, payable and deferred inflows	(164,422)	(131,644)
Software subscriptions payable	(3,443,934)	(2,267,965)
Refundable federal student loans	(1,171,408)	(1,354,086)
Net cash used in operating activities	<u>\$ (136,426,433)</u>	<u>\$ (127,935,437)</u>

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting and Reporting Policies

Organization

The University of Akron (The University) is a coeducational, degree granting state university which was established by the General Assembly of the State of Ohio (the State) in 1967 by statutory act under Chapter 3359 of the Revised Code of the State of Ohio. As such, it is a component unit of the State and is included as a discretely presented entity in the State's Annual Comprehensive Financial Report. The University offers degrees at the undergraduate, masters, and doctoral levels. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

In addition to the main campus, The University operates a branch campus, Wayne College in Orrville, Ohio, and an additional location at the Medina County University Center in Medina, Ohio.

The University, together with Kent State University and Youngstown State University, created a consortium to establish and govern Northeastern Educational Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio. This organization is legally separate from The University and has no voting majority from The University. Accordingly, the financial activity is not included within the accompanying financial statements and The University bears no financial benefit or burden for the organization.

In accordance with Government Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an Amendment of GASB Statements No. 14 and No. 34*, The University's basic financial statements are included as a discretely presented component unit within the State of Ohio's Annual Comprehensive Financial Report. Transactions with the State relate primarily to appropriations, grants from various state agencies, and payments to state retirement programs for certain university employees.

Furthermore, in accordance with GASB Statement No. 61, two discretely presented component units are reported in a separate column on The University's basic financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations that are financially accountable to 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. The Research Foundation promotes, encourages, and assists the research activities of The University. Financial statements for the Foundation may be obtained by writing to The University of Akron Foundation, 302 Buchtel Common, Akron, Ohio 44325-6220. Financial statements for the Research Foundation may be obtained by writing to The University of Akron Research Foundation, Goodyear Polymer Center, 170 University Circle, Akron, Ohio 44325-2130. Activity of these component units is described in greater detail in Note 10.

Basis of Accounting

The basic financial statements of The University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Measurement Focus and Financial Statement Presentation

The basic financial statements of The University have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities (an amendment of GASB No. 34)*. The presentation required by GASB Statement Nos. 34 and 35 provides a comprehensive, entity-wide perspective of The University's assets, liabilities, deferred outflow of resources, deferred inflow of resources, net position, revenues, expenses, and changes in net position and cash flows.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting and Reporting Policies – continued

Operating revenues and expenses generally result from providing educational and instructional services in connection with The University's principal ongoing operations. The principal operating revenues include student tuition. The University also recognizes operating revenue grants classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses, and depreciation/amortization on capital assets and lease assets. All revenues and expenses not meeting this definition, including state share of instruction, are reported as nonoperating revenues and expenses.

The Foundation and the Research Foundation are not-for-profit organizations that report under Financial Accounting Standards Board (FASB) reporting standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentations. Except for necessary presentation adjustments, no modifications have been made to the Foundation's or the Research Foundation's financial information in The University's financial report for these differences.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with an initial maturity of three months or less when purchased.

Investments

Investments are stated at fair value based on quoted market prices in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The University does not invest in derivatives. Unrealized gains and losses on investments are recorded as nonoperating revenues or expenses on the Statement of Revenues, Expenses, and Changes in Net Position. Investments for bond issue proceeds and the income earned on those investments are separately managed and recorded on the Statements of Net Position as restricted investments in noncurrent assets.

Accounts Receivable

Accounts receivable are for transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts.

Pledges Receivable

The University records pledges and unconditional promises to give as receivables and revenues in the year the pledge is made. Those that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of its estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are made. Amortization of the discounts is included in gift revenue. Conditional promises to give are not included as revenues until the conditions are substantially met.

Leases Receivable

The University leases certain building space to various third parties. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease receivable.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting and Reporting Policies – continued

Inventories

Inventories are stated at the lower of cost or market (net realizable value) using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at acquisition value at the date of gift. The University's capitalization threshold is \$100,000 for building renovations and \$5,000 for other capitalized items. Infrastructure assets are included in the basic financial statements and are depreciated. Expenses for construction in progress are capitalized as incurred and depreciated when put into service. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from the asset accounts and any gain or loss on disposal is recognized. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed. The estimated useful lives are as follows:

Classification	Estimated Life
Land improvements	25 years
Buildings and improvements	20 to 40 years
Infrastructure	20 years
Equipment and furniture	3 to 10 years
Library books	10 years

Right-to-use Assets

The right-of-use asset is The University's right to use an asset over the life of a lease or subscription. The asset is calculated as the initial amount of the liability, plus any payments made to the lessor before the commencement date, plus any initial direct costs incurred, minus any incentives received. The University's capitalization threshold is \$100,000 for software subscriptions and \$5,000 for other capitalized items. Amortization is calculated on a straight-line basis over the shorter of its useful life or the remaining lease or subscription term.

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods which will not be recognized as an outflow of resources (expense/expenditure) until then. The University reports deferred outflows of resources for the unamortized portion of the loss on bond refundings and certain pension-related and OPEB-related amounts, such as changes in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Unearned Income

Unearned income includes tuition and fees relating to summer sessions conducted in July and August. Unearned income also includes amounts received in advance from grant and contract sponsors or other deposits that have yet to be earned under the terms of the agreements. The amounts which are unearned are recognized as revenue when earned.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods which will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments and revenue for lessor leases that will be recognized over the life of the lease term. More detailed information can be found in Note 8.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting and Reporting Policies – continued

Compensated Absences

Staff employees earn vacation at rates specified under state law and upon termination are entitled to a maximum payout of the amount earned in the last three years. Full-time administrators and 12-month faculty earn vacation leave at a rate of 22 days per year, which can be carried over to a maximum accumulation of 44 days. The maximum payable upon termination of employment for these employees is 22 days. The University accrued a vacation liability equal to the number of days accrued by each eligible employee up to the maximum payable upon termination by the respective employee group.

All University employees are entitled to a sick leave credit equal to 10 hours each month (earned on a pro-rata basis for less than full-time employees). Sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave with a maximum of 240 hours.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the (State Teachers Retirement System of Ohio/School Employees Retirement System of Ohio/Ohio Public Employees Retirement System) Pension Plans (STRS/SERS/OPERS) and additions to/deductions from STRS'/SERS'/OPERS' fiduciary net position have been determined on the same basis as reported by STRS/SERS/OPERS. STRS/SERS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the (State Teachers Retirement System of Ohio/School Employees Retirement System of Ohio/Ohio Public Employees Retirement System) Pension Plans (STRS/SERS/OPERS) and additions to/deductions from STRS'/SERS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/SERS/OPERS. STRS/SERS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, STRS/SERS/OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of The University's obligations. Net investment in capital assets represent all The University's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Nonexpendable restricted net position is gifts that have been received for endowment purposes. The resources are invested with only the investment income and appreciation available for purposes established by the donor or, in the case of funds functioning as endowment, by The University. These purposes include loans, scholarships, and departmental support. Expendable restricted net position represents funds that have been awarded or gifted for specific purposes, funds used for capital projects and debt service, and funds held in university loan programs. If restricted and unrestricted assets are available for use, restricted assets will be used first.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting and Reporting Policies – continued

Scholarship Allowances and Student Aid

Financial aid to students is reported under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of a refund. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by The University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, on the ratio of using aid not considered to be third-party aid to total aid.

Endowment and Quasi-Endowments

The University's Board of Trustees established an investment policy with the objectives of protecting principal and maximizing total investment return without assuming extraordinary risks. It is the goal of The University to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 4.75%, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

Service Organization

The University processes certain Lorain County Community College (LCCC) data on equipment and applications which are owned by The University or licensed to The University. Additionally, certain LCCC data is also stored on university equipment. The data processing functions are performed and managed by university employees. As such, The University is a service organization as prescribed by Statement on Standards for Attestation Engagements (SSAE) No. 16, while LCCC is a user organization. Revenue from this agreement is recorded as sales and services revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

Adoption of New Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The provisions of this statement, originally effective for The University's basic financial statements for the year ending June 30, 2022, were extended to June 30, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. This standard had no impact on the basic financial statements this fiscal year.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for The University's basic financial statements for fiscal year ending June 30, 2023. This standard had no impact on the basic financial statements this fiscal year.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting and Reporting Policies – continued

Adoption of New Accounting Pronouncements - continued

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides guidance on the accounting and financial reporting for SBITAs by governments. This standard requires a government to recognize a subscription liability and an intangible right-to-use asset for SBITAs. The provisions of this statement are effective for The University's basic financial statements for fiscal year ending June 30, 2023. Due to the implementation of this standard, The University restated the following fiscal year 2022 balances:

	2022 as reported	Adjustment	2022 as restated
Assets:			
Current assets: Prepaid expenses	\$ 1,106,936	\$ 1,794,680	\$ 2,901,616
Noncurrent assets: Right-to-use assets, net	819,178	3,174,487	3,993,665
Liabilities:			
Current portion of long-term liabilities	21,782,339	1,406,621	23,188,960
Long-term liabilities	363,189,928	1,737,866	364,927,794
Net Position:			
Net investments in capital assets	259,078,261	30,000	259,108,261
Unrestricted	(76,150,211)	1,794,680	(74,355,531)

In April 2022, the GASB issue Statement No. 99, Omnibus 2022, which enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement that are effective as follows: The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal year ending after June 30, 2024.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements for accounting changes and error corrections. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. The provisions of this statement are effective for The University's basic financial statements for fiscal year ending June 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The provisions of this statement are effective for The University's basic financial statements for fiscal year ending June 30, 2025.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

2. Cash and Investments

Cash

On June 30, 2023 and 2022 the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were \$15,560,017 and \$11,136,926, respectively, as compared to bank balances of \$15,893,914 and \$12,698,203, respectively. The differences between carrying amounts and bank balances were caused by items in transit. Of the June 30, 2023 and 2022 bank balances, \$15,236,161 and \$12,086,941, respectively, were uninsured but collateralized with securities held by the depository banks in The University's name.

Investments

In accordance with University policies the types of investments which may be purchased include United States government securities, federal agency securities, common and preferred stocks, obligations of commercial banks including certificates of deposit, repurchase agreements, notes, debentures, banker's acceptances and commercial paper, obligations of corporations, and municipal notes and bonds.

University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument.

The University's investments, on June 30, 2023 are and 2022 summarized as follows:

	<u>2023</u>	<u>2022</u>
Pooled investments:		
Money Market	\$ 2,134,348	\$ 1,932,817
Commercial Paper	-	9,873,850
U.S. agencies	11,049,344	17,915,110
U.S. Treasury	41,284,472	49,354,936
U.S. and corporate bonds	14,259,386	13,971,767
Corporate notes	32,949,768	28,342,871
Equities	45,131,819	38,616,904
Investments equity	241,583	200,405
Mutual funds - alternative investments	13,936,104	12,992,787
PFM: Prime/Government Series	<u>2,134,179</u>	<u>31,530,037</u>
Total pooled investments	163,121,003	204,731,483
Endowment investments:		
Marketable securities:		
Money Market	1,448,315	1,392,052
Money Market Mutual Funds	1,842,391	2,039,842
US & Corporate Bonds and Notes	120,319	127,351
U.S. Treasury	2,552,487	2,767,672
Equities	9,806,333	8,299,934
Investments equity	36,143,003	32,467,324
Managed Fixed Income	164,998	168,478
Real estate	1,118,132	772,479
Hedge funds - alternative investments	<u>24,788,402</u>	<u>25,520,882</u>
Total endowment investments	77,984,380	73,556,014
Investments held in trust by others:		
Money Market	528,004	576,795
U.S. Treasury	<u>6,367,224</u>	<u>6,744,866</u>
Total investments held in trust by others	6,895,228	7,321,661
Restricted investments:		
U.S. Treasury	<u>2,244,649</u>	<u>3,400,826</u>
Total restricted investments	<u>2,244,649</u>	<u>3,400,826</u>
Total investments	<u>\$ 250,245,260</u>	<u>\$ 289,009,983</u>

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

2. Cash and Investments - continued

Investments - continued

The GASB requires certain disclosures related to interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net position.

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. On June 30, 2023 and 2022, aside from obligations of the U.S. Government, The University did not have more than 5% of its fixed-income investments in any single issuer. Foreign currency risk is the risk that changes in exchange rates can adversely affect the fair value of an investment. On June 30, 2023 and 2022, The University did not have investments that are subject to foreign currency risk in its fixed income portfolio. To limit exposure to these risks, The University's investment policies set guidelines for maturities based on investment type (short-term, intermediate, or long-term), limits percentage exposure to a single issuer or market, and requires that a majority of the holdings consist of domestic (U.S.) securities of investment grade (at least rated BBB or BAA) as rated by a nationally recognized statistical rating organization.

The U.S. Treasury and agencies securities and corporate bonds were invested through banks that keep the securities in their names in safekeeping accounts at the Federal Reserve Bank.

The credit ratings and maturities of The University's interest-bearing investments on June 30, 2023 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM: Prime/Government Series	AAA	\$ 1,165,032	\$ -	\$ -	\$ 969,147	\$ 2,134,179
U.S. agencies	AAA	-	4,858,444	2,642,246	3,548,664	11,049,354
U.S. Treasury	AA	13,624,684	28,139,205	6,695,743	4,197,808	52,657,440
Corporate notes	AAA	843,539	1,870,286	-	-	2,713,825
	AA	-	7,923,328	204,841	-	8,128,169
	A	1,442,076	20,613,593	52,105	-	22,107,774
Total corporate notes		2,285,615	30,407,207	256,946	-	32,949,768
U.S. and corporate bonds	AAA	4,116,571	193,900	-	-	4,310,471
	AA	311,141	-	-	-	311,141
	A	1,125,094	-	-	-	1,125,094
	BBB	2,556,646	-	-	-	2,556,646
	BB	1,280,876	-	-	-	1,280,876
	B	1,588,374	-	-	-	1,588,374
	Below B	454,757	-	-	-	454,757
Total U.S. and corporate bonds		11,433,459	193,900	-	-	11,627,359
Totals		\$ 28,508,790	\$ 63,598,756	\$ 9,594,935	\$ 8,715,619	\$ 110,418,100

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

2. Cash and Investments - continued

Investments - continued

The credit ratings and maturities of The University's interest-bearing investments on June 30, 2022 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM: Prime/Government Series	AAA	\$ 30,527,513	\$ -	\$ -	\$ 1,002,524	\$ 31,530,037
U.S. agencies	AAA	3,582,494	7,812,177	3,997,678	2,522,760	17,915,110
U.S. Treasury	AA	9,694,340	32,921,746	9,256,805	10,395,409	62,268,300
Corporate notes	AAA	318,048	3,952,953	-	-	4,271,001
	AA	-	2,956,050	92,086	625,625	3,673,761
	A	797,013	16,776,392	431,785	2,392,919	20,398,109
Total corporate notes		1,115,061	23,685,395	523,871	3,018,544	28,342,871
U.S. and corporate bonds	AAA	4,149,018	-	-	-	4,149,018
	AA	309,723	-	-	-	309,723
	A	1,122,173	-	-	-	1,122,173
	BBB	2,550,180	-	-	-	2,550,180
	BB	1,258,106	-	-	-	1,258,106
	B	1,555,671	-	-	-	1,555,671
	Below B	449,393	-	-	-	449,393
Total U.S. and corporate bonds		11,394,264	-	-	-	11,394,264
Totals		<u>\$ 56,313,672</u>	<u>\$ 64,419,318</u>	<u>\$ 13,778,354</u>	<u>\$ 16,939,238</u>	<u>\$ 151,450,582</u>

Unrated investments are not included in the tables above. Of the total unrated investments of \$77,984,381 and \$137,559,401, \$9,933 and \$2,704,854 are U.S. and corporate bonds, for years ending June 30, 2023 and 2022, respectively. Unrated investments also include money market accounts, commercial paper sweeps, equities, and managed fixed income and mutual funds.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of U.S. agencies, corporate notes and bonds, and negotiable certificates of deposits at June 30, 2023 and 2022 was determined primarily based on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

2. Cash and Investments - continued

Investments – continued

Equity funds, fixed income funds and hedge funds including mainly private capital investments have observable inputs and market activity that allow for pricing based on the underlying market prices of the items in the fund adjusted for information developed by management for historical and current performance of the underlying funds, liquidity and credit premiums required by a market participant and financial trend analysis with respect to the overall fund compared to benchmark performance ratios. These funds include six separate funds with one manager that have strategies that include long-term appreciation of principal, hedging current market fluctuations for current income, achieving superior risk-adjusted total returns, and generating event driven returns. The fair values of the investments in these categories have been estimated using the net asset value per share of the investments. The University has the following recurring fair value measurements as of June 30, 2023:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value Measurements Using				Investments valued using Net Asset Value (NAV) per share
	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments by fair value level:					
U.S. agencies	\$ 11,049,344	\$ -	\$ 11,049,344	\$ -	\$ -
U.S. Treasury	46,081,608	45,098,260	983,348	-	-
U.S. and corporate bonds	14,379,705	14,185,805	193,900	-	-
Money market mutual funds	1,842,391	1,842,391	-	-	-
Corporate notes	32,949,768	-	32,949,768	-	-
Equities	54,938,152	54,938,152	-	-	-
Equity funds	36,384,586	241,583	-	-	36,143,003
Hedge funds	24,788,402	-	-	-	24,788,402
Mutual funds - alternative investments	13,936,104	13,936,104	-	-	-
Real estate	1,118,132	-	-	-	1,118,132
Total investments by fair value level	<u>\$ 237,468,192</u>	<u>\$ 130,242,295</u>	<u>\$ 45,176,360</u>	<u>\$ -</u>	<u>\$ 62,049,537</u>

The University has the following recurring fair value measurements as of June 30, 2022:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value Measurements Using				Investments valued using Net Asset Value (NAV) per share
	Balance at June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments by fair value level:					
U.S. agencies	\$ 17,915,110	\$ -	\$ 17,915,110	\$ -	\$ -
U.S. Treasury	55,523,434	55,523,434	-	-	-
U.S. and corporate bonds	14,099,118	14,099,118	-	-	-
Money market mutual funds	2,039,842	2,039,842	-	-	-
Corporate notes	28,342,871	-	28,342,871	-	-
Equities	46,916,838	46,916,838	-	-	-
Equity funds	32,667,729	200,405	-	-	32,467,324
Hedge funds	25,520,882	-	-	-	25,520,882
Mutual funds - alternative investments	12,992,787	12,992,787	-	-	-
Real estate	772,479	-	-	-	772,479
Total investments by fair value level	<u>\$ 236,791,090</u>	<u>\$ 131,772,424</u>	<u>\$ 46,257,980</u>	<u>\$ -</u>	<u>\$ 58,760,685</u>

Investments reported at cost totaling \$13,154,802 and \$52,218,893 for years ending June 30, 2023 and 2022, respectively, are not included in the tables above. These investments include cash in prime/government series and money market accounts, and bond proceeds held in trust.

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

3. Accounts and Notes Receivable

Accounts and notes receivable on June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Accounts receivable, net:		
Federal, state, and local governments, foundations, companies, and other, net of allowance for doubtful accounts of \$64,059 and \$62,477, respectively	\$ 8,901,039	\$ 8,528,312
Student receivables, net of allowance for doubtful accounts of \$30,430,770 and \$31,723,166, respectively	<u>5,715,751</u>	<u>7,248,821</u>
Total accounts receivable, net	14,616,790	15,777,133
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of \$1,902,443 and \$1,718,381, respectively	<u>3,220,671</u>	<u>4,123,021</u>
Accounts and notes receivable, net	<u>\$ 17,837,461</u>	<u>\$ 19,900,154</u>

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable on June 30, 2023 and 2022 were as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Pledges Receivable</u>	<u>Current Portion</u>	<u>Pledges Receivable</u>	<u>Current Portion</u>
Total pledges receivable	\$2,478,530	\$1,173,754	\$2,375,470	\$1,196,056
Less: amount estimated to be uncollectible	(10,193)	(4,967)	(5,389)	(2,751)
Less: unamortized discount	<u>(69,875)</u>	-	<u>(32,914)</u>	-
Pledges receivable, net	2,398,462	<u>\$1,168,787</u>	2,337,167	<u>\$1,193,305</u>
Less: current portion	<u>(1,168,787)</u>		<u>(1,193,305)</u>	
Pledges receivable, noncurrent portion	<u>\$1,229,675</u>		<u>\$1,143,862</u>	

As of June 30, 2023 and 2022, The University has approximately \$4.3 million and \$3.5 million, respectively, in numerous conditional pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable since each does not represent unconditional promises to give.

5. Capital and Right-to-use Assets

For the year ended June 30, 2023, included in depreciation expense of \$41,277,048 is \$8,829 from the disposal of obsolete equipment and adjustments to capital assets. For the year ended June 30, 2022, included in depreciation expense of \$39,653,013 is \$30,969 from the disposal of obsolete equipment and adjustments to capital assets.

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

5. Capital and Right-to-use Assets - continued

Changes in capital assets during fiscal years 2023 and 2022 were as follows:

	Balance July 1, 2022	Additions	Reductions	Transfers	Balance June 30, 2023
Nondepreciable capital assets:					
Land	\$ 44,009,274	\$ -	\$ -	\$ -	\$ 44,009,274
Historical collections	5,839,652	459,000	(33,500)	-	6,265,152
Construction in progress	13,353,444	17,205,707	-	(24,807,001)	5,752,150
Total nondepreciable capital assets	63,202,370	17,664,707	(33,500)	(24,807,001)	56,026,576
Depreciable capital assets:					
Land improvements	36,224,286	-	(1,300,343)	1,727,721	36,651,664
Buildings	1,016,405,863	-	-	22,671,430	1,039,077,293
Infrastructure	102,362,813	-	(307,879)	407,850	102,462,784
Equipment, furniture, and books	115,822,226	2,690,909	(4,526,283)	-	113,986,852
Total depreciable capital assets	1,270,815,188	2,690,909	(6,134,505)	24,807,001	1,292,178,593
Total capital assets	1,334,017,558	20,355,616	(6,168,005)	-	1,348,205,169
Less accumulated depreciation:					
Land improvements	21,109,246	1,429,160	(1,300,344)	-	21,238,062
Buildings	542,767,508	25,970,851	-	-	568,738,359
Infrastructure	51,682,314	5,887,829	(307,878)	-	57,262,265
Equipment, furniture, and books	106,410,299	3,422,784	(4,526,391)	-	105,306,692
Total accumulated depreciation	721,969,367	36,710,624	(6,134,613)	-	752,545,378
Capital assets, net	\$ 612,048,191	\$ (16,355,008)	\$ (33,392)	\$ -	\$ 595,659,791

	Balance July 1, 2021	Additions	Reductions	Transfers	Balance June 30, 2022
Nondepreciable capital assets:					
Land	\$ 44,167,536	\$ -	\$ (308,262)	\$ 150,000	\$ 44,009,274
Historical collections	5,200,652	651,800	(12,800)	-	5,839,652
Construction in progress	2,094,749	13,444,260	-	(2,185,565)	13,353,444
Total nondepreciable capital assets	51,462,937	14,096,060	(321,062)	(2,035,565)	63,202,370
Depreciable capital assets:					
Land improvements	37,302,967	-	(1,157,782)	79,101	36,224,286
Buildings	1,015,716,957	-	(912,932)	1,601,838	1,016,405,863
Infrastructure	102,008,187	-	-	354,626	102,362,813
Equipment, furniture, and books	121,967,538	1,940,703	(8,086,015)	-	115,822,226
Total depreciable capital assets	1,276,995,649	1,940,703	(10,156,729)	2,035,565	1,270,815,188
Total capital assets	1,328,458,586	16,036,763	(10,477,791)	-	1,334,017,558
Less accumulated depreciation:					
Land improvements	20,806,914	1,460,114	(1,157,782)	-	21,109,246
Buildings	517,782,237	25,898,203	(912,932)	-	542,767,508
Infrastructure	45,762,237	5,920,077	-	-	51,682,314
Equipment, furniture, and books	109,960,946	4,448,118	(7,998,765)	-	106,410,299
Total accumulated depreciation	694,312,334	37,726,512	(10,069,479)	-	721,969,367
Capital assets, net	\$ 634,146,252	\$ (21,689,749)	\$ (408,312)	\$ -	\$ 612,048,191

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

5. Capital and Right-to-use Assets - continued

Future principal and interest payment requirements related to The University's lease liability on June 30, 2023 are as follows:

Fiscal Year:	Principal	Interest	Total
2024	\$ 146,594	\$ 8,807	\$ 155,401
2025	142,918	7,696	150,614
2026	4,445	6,873	11,318
2027	15,139	6,586	21,725
2028	15,856	6,285	22,141
2029-2033	90,847	26,400	117,247
2034-2038	112,466	16,544	129,010
2039-2043	109,485	4,737	114,222
Totals	<u>\$ 637,750</u>	<u>\$ 83,928</u>	<u>\$ 721,678</u>

Future principal and interest payment requirements related to The University's subscription-based information technology arrangements (SBITAs) on June 30, 2023 are as follows:

Fiscal Year:	Principal	Interest	Total
2024	\$ 3,155,383	\$ 318,131	\$ 3,473,514
2025	1,992,235	210,607	2,202,842
2026	1,751,318	182,345	1,933,663
2027	1,672,204	162,133	1,834,337
2028	1,441,683	135,924	1,577,607
2029-2031	4,533,251	334,577	4,867,828
Totals	<u>\$ 14,546,074</u>	<u>\$ 1,343,717</u>	<u>\$ 15,889,791</u>

The University recognized \$1,126,278 and \$4,379,035 initial implementation costs during fiscal years 2022 and 2023, respectively, which were capitalized as part of the SBITA subscription asset.

6. Long-term Liabilities

In November 2021, The University issued \$13.3 million Series 2021A General Receipts Bonds and \$20.5 million 2021B Taxable General Receipts Bonds, with a combined average coupon rate of 3.51% with payments for 2021A through 2042 and payments for 2021B through 2033. The proceeds of Series 2021A bonds were used to refund \$16.1 million of The Universities outstanding General Receipts Bonds 2018B and pay issuance costs. The proceeds of Series 2021B bonds were used to refund \$17.8 million of The Universities outstanding General Receipts Bonds Series 2015A and pay issuance costs. The result of issuing Series 2021 Bonds advance refunded the Series 2018B bonds for savings and restructured a portion of the Series 2015A outstanding bond principal payments for fiscal years ending June 30, 2024 – June 30, 2026 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.8 million.

In April 2020, The University issued \$12.3 million of General Receipts Refunding Bonds, Series 2020A with a coupon rate of 1.68% with payments through 2027. The proceeds of the Series 2020A Bonds were used to refund \$12.3 million of The University's outstanding General Receipts Bonds, Series 2012A and generate interest savings of \$.7 million over the life of the bonds.

In November 2019, The University issued \$59.5 million Series 2019A General Receipts Refunding Bonds and \$12.0 million Series 2019B Taxable General Receipts Refunding Bonds, with a combined average coupon rate of 4.22% with payments for 2019A through 2030 and payments for 2019B through 2038. The proceeds of Series 2019A bonds were used to refund \$69.4 million of The University's outstanding General Receipts Bonds Series 2010A and pay issuance costs. The proceeds of Series 2019B bonds were used to refund \$11.5 million Lease Revenue Bonds, Series 2011 and pay issuance costs. The result of issuing Series 2019 Bonds reduced debt service payments by \$14.3 million and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$13.6 million.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

6. Long-term Liabilities – continued

In August 2018, The University issued \$14.9 million Series 2018A General Receipts Refunding Bonds and \$16.1 million Series 2018B Taxable General Receipts Refunding Bonds, with a combined average coupon rate of 4.68% with payments for 2018A through 2042 and payments for 2018B through 2033. The proceeds of Series 2018A bonds were used to refund \$12.2 million of The University's outstanding General Receipts Bonds Series 2012A, reimburse \$4.6 million toward certain real property purchased by The University of Akron Foundation for the benefit of The University of Akron, and pay issuance costs. The proceeds of Series 2018B bonds were used to refund \$15.5 million of The Universities outstanding General Receipts Bonds Series 2010A and pay issuance costs. The result of issuing Series 2018 Bonds will increase cash flows an average of \$5.0 million for each of the first five years and increased debt service payments by \$16.1 million and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$2.9 million. In November 2021 Bond Series 2018B was refunded with General Receipts Bond Series 2021A for additional interest savings.

In May 2016, The University issued \$93.9 million of General Receipts Refunding Bonds, Series 2016A with an average coupon rate of 4.75% with payments through 2042. The proceeds of the Series 2016A Bonds were used to refund \$28.3 million, \$51.8 million and \$18.6 million of The University's outstanding General Receipts Bonds, Series 2008A, 2008B and Lease Revenue Bonds, Series 2011, respectively, to pay issuance costs and generate interest savings of \$11.4 million over the life of the bonds.

In December 2015, The University issued \$10.5 million of General Receipts Refunding Bonds, Series 2015B with a coupon rate of 1.73% with payments through 2022. The proceeds of the Series 2015B Bonds were used to refund \$10.2 million of The University's outstanding General Receipts Bonds, Series 2005, to pay issuance costs and generate interest savings of \$734,000 over the life of the bonds.

In May 2015, The University issued \$99.1 million of General Receipts Refunding Bonds, Series 2015A with an average coupon rate of 4.76% with payments through 2032 and generating a net premium of \$14.9 million. The proceeds of the Series 2015A bonds were used to refund \$48.7 million and \$51.4 million of The University's outstanding General Receipts Bonds, Series 2008A & 2008B, respectively, to pay issuance costs and generate interest savings of \$7.2 million over the life of the bonds.

In August 2014, The University issued \$29.6 million of General Receipts Refunding Bonds, Series 2014A with an average coupon rate of 4.57% with payments through 2035 and generating a net premium of \$2.3 million. The proceeds of the Series 2014A Bonds were used to refund \$14.9 million and \$16.5 million of The University's outstanding General Receipts Bonds, Series 2003A & 2004B, respectively, to pay issuance costs and generate interest savings of \$2.3 million over the life of the bonds.

In September 2013, The University entered into a loan agreement with the Ohio Air Quality Development Authority (OAQDA) to fund the Campus-Wide Energy Efficiency and Conservation Project which completed conservation measures for many University buildings. OAQDA issued \$44.6 million of Tax Exempt Revenue Bonds, Series 2013A and \$15.0 million of federally taxable Tax Credit Revenue Bonds, Series 2013B. The Series 2013A bonds will have annual principal payments until final maturity on January 1, 2026, with an interest rate of 2.48%. The Series 2013B bonds will have semiannual interest payments, with an interest rate of 4.99%, and the principal will be due at maturity on January 1, 2029.

The Series 2013B Bonds are Qualified Energy Conservation Bonds eligible for a 70 percent federal rebate based on the Qualified Tax Credit Rate as of the bond sale date (4.99 percent). The benefit of the rebate has been assigned to The University. The rebates received for the years ended June 30, 2023 and 2022 were \$793,110 and \$263,809, respectively. The rebates were reported as other nonoperating revenues and do not reduce the amount reported as interest expense for the year.

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

6. Long-term Liabilities – continued

Changes in long-term liabilities during fiscal year 2023 were as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Bonds payable:					
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	26,315,000	-	-	26,315,000	-
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	58,095,000	-	(6,105,000)	51,990,000	760,000
General receipts refunding bonds - Series 2016A, 2.0% to 5.0%, due serially through 2042	90,715,000	-	(660,000)	90,055,000	975,000
General receipts refunding bonds - Series 2018A, 5.0%, due serially through 2042	14,935,000	-	-	14,935,000	-
General receipts refunding bonds - Series 2019A, 4.0% to 5.0%, due serially through 2030	56,645,000	-	(4,450,000)	52,195,000	7,905,000
Taxable general receipts refunding bonds - Series 2019B, 1.976% to 3.145%, due serially through 2038	11,095,000	-	-	11,095,000	-
General receipts refunding bonds - Series 2020A, 1.68%, due serially through 2027	12,290,000	-	(1,470,000)	10,820,000	2,985,000
General receipts refunding bonds - Series 2021A, 5.0%, due serially through 2033	13,255,000	-	-	13,255,000	-
General receipts refunding bonds - Series 2021B, 1.77% to 3.058%, due serially through 2042	20,500,000	-	-	20,500,000	-
Direct Placement:					
Ohio Air Quality Development Authority: Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	16,334,293	-	(3,934,765)	12,399,528	4,032,347
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	335,179,293	-	(16,619,765)	318,559,528	16,657,347
Bond premiums:					
Series 2014A	1,394,461	-	(107,266)	1,287,195	107,266
Series 2015A	8,037,391	-	(824,348)	7,213,043	824,348
Series 2016A	12,310,452	-	(615,522)	11,694,930	615,522
Series 2018A	1,712,043	-	(85,603)	1,626,440	85,603
Series 2019A	7,630,316	-	(1,017,375)	6,612,941	1,017,375
Series 2021A	4,091,882	-	(389,703)	3,702,179	389,703
Total bond premiums	35,176,545	-	(3,039,817)	32,136,728	3,039,817
Innovation Generation Scholarships	8,838,167	-	(543,774)	8,294,393	544,000
Leases payable	842,135	-	(194,385)	647,750	146,594
Software subscriptions payable	3,144,487	15,307,016	(3,905,425)	14,546,078	3,155,383
UA Line of Credit with Foundation	220,884	1,175,000	(10,000)	1,385,884	210,884
Sick leave liability	4,715,243	-	(1,184,294)	3,530,949	1,038,774
Totals	\$ 388,116,754	\$ 16,482,016	\$ (25,497,460)	379,101,310	\$ 24,792,799
Less: current portion				(24,792,799)	
Long-term liabilities				\$ 354,308,511	

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

6. Long-term Liabilities - continued

Changes in long-term liabilities during fiscal year 2022 were as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Bonds payable:					
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	26,315,000	-	-	26,315,000	-
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	81,675,000	-	(23,580,000)	58,095,000	6,105,000
General receipts refunding bonds - Series 2015B, 2.1%, due serially through 2022	1,695,000	-	(1,695,000)	-	-
General receipts refunding bonds - Series 2016A, 2.0% to 5.0%, due serially through 2042	90,715,000	-	-	90,715,000	660,000
General receipts refunding bonds - Series 2018A, 5.0%, due serially through 2042	14,935,000	-	-	14,935,000	-
Taxable general receipts refunding bonds - Series 2018B, 4.149% to 4.299%, due serially through 2033	16,085,000	-	(16,085,000)	-	-
General receipts refunding bonds - Series 2019A, 4.0% to 5.0%, due serially through 2030	56,645,000	-	-	56,645,000	4,450,000
Taxable general receipts refunding bonds - Series 2019B, 1.976% to 3.145%, due serially through 2038	11,095,000	-	-	11,095,000	-
General receipts refunding bonds - Series 2020A, 1.68%, due serially through 2027	12,290,000	-	-	12,290,000	1,470,000
General receipts refunding bonds - Series 2021A, 5.0%, due serially through 2033	-	13,255,000	-	13,255,000	-
General receipts refunding bonds - Series 2021B, 1.77% to 3.058%, due serially through 2042	-	20,500,000	-	20,500,000	-
Direct Placement:					
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	20,173,837	-	(3,839,544)	16,334,293	3,934,765
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	346,623,837	33,755,000	(45,199,544)	335,179,293	16,619,765
Bond premiums:					
Series 2014A	1,501,728	-	(107,267)	1,394,461	107,266
Series 2015A	8,861,738	-	(824,347)	8,037,391	824,348
Series 2016A	12,925,975	-	(615,523)	12,310,452	615,522
Series 2018A	1,797,645	-	(85,602)	1,712,043	85,603
Series 2019A	8,647,692	-	(1,017,376)	7,630,316	1,017,375
Series 2021A	-	4,286,733	(194,851)	4,091,882	389,703
Total bond premiums	33,734,778	4,286,733	(2,844,966)	35,176,545	3,039,817
Innovation Generation Scholarships	9,284,540	-	(446,373)	8,838,167	451,009
Leases payable	23,210	830,223	(11,298)	842,135	194,385
Software subscriptions payable	-	4,551,107	(1,406,620)	3,144,487	1,406,621
UA Line of Credit with Foundation	230,000	-	(9,116)	220,884	220,884
Sick leave liability	4,669,754	45,489	-	4,715,243	1,256,479
Voluntary Retirement Incentive Plan	287,575	-	(287,575)	-	-
Totals	\$ 394,853,694	\$ 43,468,552	\$ (50,205,492)	388,116,754	\$ 23,188,960
Less: current portion				(23,188,960)	
Long-term liabilities				\$ 364,927,794	

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

6. Long-term Liabilities - continued

The general receipts bonds and the general receipts refunding bonds are payable from and secured by a first pledge and lien on the general receipts of The University, excluding state appropriations. The bonds contain a provision that in an event of financial default, outstanding amounts become immediately due and payable. If there is a nonfinancial default, the Trustee may accelerate the maturity of the outstanding amounts, but is only required to do so if requested in writing by 25% of the bondholders.

The University has defeased certain debt by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liabilities for the defeased debt are not included in The University's basic financial statements. The defeased debt is as follows:

	Amount Defeased	Amount Outstanding at June 30, 2023	Amount Outstanding at June 30, 2022
General Receipts Rental Note:			
Series 2003A	\$ 33,412,270	\$ 13,695,818	\$ 15,385,968
General receipts refunding bonds:			
Series 2015A	17,780,000	17,780,000	17,780,000
Taxable general receipts refunding bonds:			
Series 2018B	16,085,000	-	16,085,000
Totals	\$ 67,277,270	\$ 31,475,818	\$ 49,250,968

The aggregate annual principal maturities for the debt agreements for fiscal years subsequent to June 30, 2023 are as follows:

Fiscal Year:	Direct Borrowing		Direct Placement		Total
	Principal	Interest	Principal	Interest	
2024	\$ 12,625,000	\$ 12,662,650	\$ 4,032,347	1,006,007	\$ 30,326,004
2025	13,110,000	12,120,166	4,132,349	904,765	30,267,280
2026	13,625,000	11,555,587	4,234,832	801,012	30,216,431
2027	20,105,000	10,839,726	-	748,500	31,693,226
2028	22,750,000	9,918,963	-	748,500	33,417,463
2029-2033	100,310,000	35,760,470	15,000,000	374,250	151,444,720
2034-2038	86,470,000	14,330,359	-	-	100,800,359
2039-2042	22,165,000	1,696,916	-	-	23,861,916
Totals	\$ 291,160,000	\$ 108,884,837	\$ 27,399,528	\$ 4,583,034	\$ 432,027,399

In November 2019, The University and The University of Akron Foundation executed an agreement for a \$1,000,000 line of credit. The Foundation provided the line of credit which, at 2% per annum and to be fully settled by November 2024, provides funding for The University's baseball field renovation project. The line of credit is expected to be repaid with donations. On June 30, 2023 and 2022, the line of credit balance was \$210,884 and \$220,884, respectively.

In December 2021, The University and The University of Akron Foundation executed an agreement for a \$3,100,000 line of credit. The Foundation provided the line of credit which, at 2% per annum and to be fully settled by June 2025, provides funding for The University track and field facility and the basketball practice gymnasium. On June 30, 2023 and 2022, the line of credit balance was \$1,175,000 and \$0, respectively.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

6. Long-term Liabilities - continued

In September 2013, The University finalized an agreement with Akron Public Schools (APS) to transfer a decommissioned high school to The University in return for the equivalent in-kind services to the district in accordance with state law. The fair market value of the high school, known as Central Hower High School, was determined to be \$13.5 million. The University agreed to fund annual, renewable APS Innovation Generation Scholarships to qualified current and future APS students up to the fair market value of Central Hower. The remaining scholarship balance as of June 30, 2023 and 2022 was \$8,294,393 and \$8,838,167, respectively.

7. State Support

The University is a state-assisted institution of higher education, which receives a student-based state share of instruction (appropriation) from the State. This state share of instruction is determined annually based upon a formula devised by the State. In addition to the state share of instruction, the State also provides certain capital funding and assistance. The capital funding is provided through the Ohio Department of Higher Education (ODHE) from revenue bond proceeds issued by the Ohio Public Facilities Commission (OPFC). The capital assets are transferred from the ODHE to The University upon completion. Costs incurred during construction are included in construction in progress.

In accordance with the requirements of Ohio Revised Code Sections 124.21(D) and (E), university facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of The Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State. As a result of the above described financial assistance provided by the State to The University, outstanding debt issued by OPFC is not included within The University's basic financial statements. In addition, appropriations by the State's General Assembly to the ODHE for payment of debt service are not reflected as appropriation revenue received by The University, and the related debt service payments are not recorded in The University's accounts.

The Capital Component program is an appropriation line item in the ODHE operating budget to fund infrastructure investments for higher education. This program was designed to add flexibility to the capital funding process and to provide incentives for the efficient use of state capital funding provided to higher education institutions. This capital funding policy provided state-assisted institutions of higher education with the annual debt service equivalent of capital appropriations that the institution otherwise could have received via the new formula-based higher education capital budget.

8. Employee Benefit Plans

Plan Description

The University participates in the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the Ohio Public Employees Retirement System (OPERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of The University. Each system has multiple retirement plan options available to its members, with three options in STRS and OPERS and one option in SERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide post-employment health care benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio 275 E. Broad Street Columbus, Ohio 43215 (888) 227-7877 www.strsoh.org	School Employees Retirement System 300 East Broad Street, Suite 100 Columbus, Ohio 43215 (800) 878-5853 www.ohsers.org	Ohio Public Employees Retirement System 277 East Town Street Columbus, Ohio 43215 (800) 222-7377 www.opers.org
---	--	--

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Contributions

State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the Ohio Revised Code (ORC) limits the maximum rate of contributions. The retirement boards of the systems individually set contribution rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are set at the maximums authorized by the ORC. The plans' 2022 and 2021 (most current available information) employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate					Member Contribution Rate
		Post-Retirement Healthcare	Death Benefits	Medicare B	Total	Total
2022	Pension				Total	Total
STRS	14.00%	0.00%	0.00%	0.00%	14.00%	14.00%
SERS	13.24%	0.00%	0.06%	0.70%	14.00%	10.00%
OPERS - State/Local	14.00%	0.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	18.10%	0.00%	0.00%	0.00%	18.10%	13.00%
		Post-Retirement Healthcare	Death Benefits	Medicare B		
2021	Pension				Total	Total
STRS	14.00%	0.00%	0.00%	0.00%	14.00%	14.00%
SERS	13.15%	0.00%	0.04%	0.81%	14.00%	10.00%
OPERS - State/Local	14.00%	0.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	18.10%	0.00%	0.00%	0.00%	18.10%	13.00%

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

	For the years ended June 30,			
	2023		2022	
	Pension	OPEB	Pension	OPEB
STRS	\$ 7,846,543	\$ -	\$ 7,123,860	\$ -
SERS	3,397,766	-	3,450,492	198,064
OPERS	4,186,226	-	3,333,533	-
	<u>\$ 15,430,535</u>	<u>\$ -</u>	<u>\$ 13,907,885</u>	<u>\$ 198,064</u>

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Benefits Provided

State Teachers Retirement System - Plan benefits are established under Chapter 3307 of the ORC, as amended by Substitute Senate Bill 342 in 2012, gives the Retirement Board the authority to make future adjustments to the member contribution rates, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Effective August 1, 2017 – July 1, 2019, any member may retire who has (1) five years of service credit and attained age 60, (2) 27 years of service credit and attained age 55, or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit changed. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to \$2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board, (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

School Employees Retirement System - Plan benefits are established under Chapter 3309 of the ORC, as amended by Substitute Senate Bill 341 in 2012. The requirements to retire depends on years of service (5 to 30 years) and on attaining the age of 60 to 67 (one group does not have an age requirement), depending on when the employee became a member. Member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 2.2 percent to 2.5 percent. Members also covered by STRS, Ohio Police and Fire, or Ohio State Highway Patrol have separate considerations in how the benefits are determined.

The defined benefit pension plan includes the Pension Benefits Plan, Death Benefit Fund and Medicare Part B Plan.

The Death Benefit Fund pays \$1,000 to a designated beneficiary of a deceased retiree or disability benefit recipient as allowed under ORC Section 3309.50.

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium.

Health Care Plan – SERS offers health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third party administrators and pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Ohio Public Employees Retirement System - Plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (5 to 30 years) and on attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years' service credit receive a percentage reduction in benefit, except for public safety and law enforcement participants. Member retirement benefits are calculated on a formula that considers years of service (5 to 30 years), age (48 to 62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent, or an amount based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

University-provided benefits - The University single-employer defined benefit plan (UA Plan) provided healthcare benefits for certain dependents of retired employees. Substantially all of The University's employees hired prior to 1992 may have become eligible for those benefits if they reached normal retirement age while working for The University. Retiree dependents were covered by Pre-Medicare PPO or Medicare Supplement plan based on age. In addition, The University provided life insurance benefits for all retired employees hired prior to September 13, 1977 or to other retired employees who were hired after that date but retired prior to January 1, 2011. Retiree life insurance pre-65 plan had four options with a maximum benefit of \$100,000. After age 70, the maximum life insurance benefit was reduced to \$50,000. For both benefits, the eligible employee must have elected a state pension plan upon retirement to be eligible for the additional postemployment benefit. There were no separate financial statements available for this plan. No assets were accumulated in a trust that met the criteria of GASB Statement 75.

During May 2020, the University eliminated the University provided retiree dependent health insurance benefit for all eligible current and former non-bargaining employees effective December 31, 2020. Except for the University's faculty union, the remaining University unions also elected to eliminate the benefit by separate ratifications during July 2020 also effective December 31, 2020. During December 2020, the University Board of Trustees approved the elimination of the University provided retiree depended health insurance for eligible dependents of the faculty union effective January 31, 2021. During December 2020, the University eliminated the retiree life insurance program for eligible former employees effective December 31, 2020.

Plan participant data as of the last census date is summarized below:

Census Date	January 1, 2020
Participating Employees:	149
Average age	62.9
Average credited service	33.0
Retirees:	
Retirees (Life Insurance)	868
Average age for retirees	78.2
Dependent Spouses (Medical)	409
Average age for dependents	74.9

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Changes in the Net OPEB Liability – UA Plan

	Total OPEB Liability		
	2023	2022	2021
Balances at July 1	\$ -	\$ -	\$ 49,099,789
Changes for the year:			
Service Cost	-	-	329,951
Interest	-	-	1,318,137
Changes of assumptions	-	-	163,433
Benefit payments	-	-	(2,645,103)
Changes of benefit terms	-	-	(48,266,207)
Net changes	-	-	(49,099,789)
Balances at June 30	\$ -	\$ -	\$ -

Funding policy - The University had no obligation to make contributions in advance of when the premiums were due for payment; therefore this plan was financed on a “pay-as-you-go” basis. Active employees were not required to contribute to the plan. The plan charged retirees a 19% contribution for retiree dependent health coverage for 2021.

Net Pension Liability, Deferrals, and Pension Expense

On June 30, 2023 and 2022, The University reported a liability for its proportionate share of the net pension liability of STRS/SERS/OPERS. For June 30, 2023, the net pension liability was measured as of June 30, 2022 for STRS, June 30, 2022 for SERS and December 31, 2022 for the OPERS plan. For June 30, 2022 the net pension liability was measured as of June 30, 2021 for STRS, June 30, 2021 for SERS, and December 31, 2021 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University’s proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement date	Net pension liability			Proportionate share			Percent change	
		2023	2022	2021	2023	2022	2021	2022-23	2021-22
STRS	June 30	\$ 97,839,008	\$ 62,214,420	\$ 149,618,884	0.440119%	0.486586%	0.618351%	-0.046467%	-0.131765%
SERS	June 30	40,039,733	32,174,880	70,375,241	0.740273%	0.872017%	1.064001%	-0.131743%	-0.191985%
OPERS	December 31	47,184,162	11,810,341	20,208,912	0.378199%	0.364106%	0.354894%	0.014093%	0.009212%
Total		<u>\$ 185,062,903</u>	<u>\$ 106,199,641</u>	<u>\$ 240,203,037</u>					

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Net Pension Liability, Deferrals, and Pension Expense - continued

For the year ended June 30, 2023 and 2022, The University recognized pension revenue of \$2,230,442 and \$31,057,515, respectively. The difference between this total and the pension revenue of \$15,727,977 and \$44,319,684 on June 30, 2023 and 2022, respectively, included in the Pension revenue reported separately on the Statement of Revenue, Expenses, and Changes in Net Position is recorded as employee benefits within functional expenses.

On June 30, 2023 and 2022, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4,490,734	\$ 390,527	\$ 2,572,439	\$ 676,348
Changes of assumptions	12,649,638	8,813,052	19,453,756	-
Net difference between projected and actual earnings on pension plan investments	16,937,474	2,650,423	-	83,767,622
Changes in proportion and differences between University contributions and proportionate share of contributions	2,552,187	37,948,604	644,066	45,754,738
University contributions subsequent to the measurement date	<u>13,497,535</u>	<u>-</u>	<u>13,262,170</u>	<u>-</u>
Total	<u>\$ 50,127,568</u>	<u>\$ 49,802,606</u>	<u>\$ 35,932,431</u>	<u>\$ 130,198,708</u>

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

Year Ended June 30	
2024	\$ (13,406,594)
2025	(9,150,334)
2026	(9,520,947)
2027	18,876,325
2028	8,503
Thereafter	20,474
Total	<u>\$ (13,172,573)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the following year (2024).

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Net OPEB Liability/(Asset), Deferrals, and OPEB Expense

On June 30, 2023, The University reported a liability/(asset) for its proportionate share of the net OPEB liability/(asset) of STRS/SERS/OPERS. For June 30, 2023, the net OPEB liability/(asset) was measured as of June 30, 2022 for STRS, June 30, 2022 for SERS, and December 31, 2022 for the OPERS plan. For June 30, 2022 the net OPEB liability/(asset) was measured as of June 30, 2021 for STRS, June 30, 2021 for SERS, and December 31, 2021 for the OPERS plan. The total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of those dates, except OPERS which used an actuarial valuation dated December 31, 2021 and 2020, respectively, rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year for the defined benefit health care plans.

Typically, The University's proportion of the net OPEB liability/(asset) is based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined, except as noted below.

For plan years ending June 30, 2022 and 2021 (most current available information), STRS did not allocate employer contributions to the OPEB plan. Therefore, STRS' calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

For plan years ending June 30, 2022 and 2021 (most current available information), SERS allocated 0% of the total employer contribution of 14% to the healthcare fund. SERS' calculation of the employers' proportionate share is based on actual contributions made to the pension plan plus actual surcharge contributions made to the OPEB plan because the total of these two amounts is most representative of the level of future contributions to the OPEB plan.

For plan years ending December 31, 2022 and 2021, OPERS did not allocate employer contributions to the OPEB plan. Therefore, OPERS's calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

	Measurement date	Net OPEB Liability/(Asset)			Proportionate share			Percent change	
		2023	2022	2021	2023	2022	2021	2022-23	2021-22
STRS	June 30	\$ (11,396,000)	\$ (10,259,000)	\$ (10,868,000)	0.440119%	0.486586%	0.618351%	-0.046467%	-0.131765%
SERS	June 30	9,609,097	15,358,908	21,891,680	0.684404%	0.811532%	1.007289%	-0.127129%	-0.195757%
OPERS	December 31	992,475	(4,299,945)	(2,428,632)	0.157406%	0.137284%	0.136319%	0.020122%	0.000965%
Total		<u>\$ (794,428)</u>	<u>\$ 799,963</u>	<u>\$ 8,595,048</u>					

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Net OPEB Liability/(Asset), Deferrals, and OPEB Expense - continued

For the years ended June 30, 2023 and 2022, The University recognized OPEB income of \$9,403,787 and \$7,284,488, respectively. The difference between this total and the OPEB revenue of \$7,483,664 on June 30, 2022 included in the OPEB revenue reported separately on the Statement of Revenue, Expenses, and Changes in Net Position is recorded as employee benefits within functional expenses.

On June 30, 2023 and 2022, The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 330,751	\$ 10,728,475	\$ 648,304	\$ 12,495,668
Changes of assumptions	3,841,401	12,498,018	3,838,586	10,193,174
Net difference between projected and actual earnings on pension plan investments	2,203,255	-	-	5,182,038
Changes in proportion and differences between University contributions and proportionate share of contributions	54,924	15,377,065	16,236	16,814,045
University contributions subsequent to the measurement date	-	-	199,176	-
Total	<u>\$ 6,430,331</u>	<u>\$ 38,603,558</u>	<u>\$ 4,702,302</u>	<u>\$ 44,684,925</u>

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

Year Ended June 30	
2024	\$ (9,857,491)
2025	(8,620,473)
2026	(5,428,318)
2027	(2,535,398)
2028	(2,341,898)
Thereafter	(3,389,649)
Total	<u>\$ (32,173,227)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability/(asset) in the following year (2024).

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Actuarial Assumptions

The total pension liability and OPEB liability/(asset) is based on the results of an actuarial valuation and were determined using the following actuarial assumptions for The University's June 30, 2023 fiscal year end:

	STRS	SERS	OPERS
Valuation date - Pension	June 30, 2022	June 30, 2022	December 31, 2022
Valuation date - OPEB	June 30, 2022	June 30, 2022	December 31, 2021
Actuarial cost method	Entry age normal	Entry age normal	Individual entry age
Cost of living	3.0 percent	2.4 percent	2.05 percent - 3.0 percent
Salary increases, including inflation	2.5 percent - 8.5 percent	3.25 percent - 13.58 percent	2.75 percent -10.75 percent
Inflation	2.5 percent	2.4 percent	2.75 percent
Investment rate of return - Pension	7.0 percent, net of investment expense, including inflation	7.0 percent, net of investment expense, including inflation	6.9 percent, net of plan investment expense, including inflation
Investment rate of return - OPEB	7.0 percent, net of investment expense, including inflation	7.0 percent, net of investment expense, including inflation	6.0 percent, net of investment expense, including inflation
Health care cost trend rates	-68.78 percent to 9.0 percent initial, 3.94 percent ultimate	7.00 percent to 4.4 percent	5.5 percent initial, 3.5 percent ultimate in 2036
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended June 30, 2020	Period of 5 years ended December 31, 2020
Mortality basis	For healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.	Healthy Retirees - PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.2% for males and set forward 2 years and adjusted 81.35% for females. Disabled Retirees - PUB-2010 General Disable Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Contingent Survivors - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Actives - PUB-2010 General Amount Weighted Below Median Employee mortality table	Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Actuarial Assumptions - continued

The following are actuarial assumptions for The University's June 30, 2022 fiscal year end:

	STRS	SERS	OPERS
Valuation date - Pension	June 30, 2021	June 30, 2021	December 31, 2021
Valuation date - OPEB	June 30, 2021	June 30, 2021	December 31, 2020
Actuarial cost method	Entry age normal	Entry age normal	Individual entry age
Cost of living	None	2.0 percent	2.05 percent - 3.0 percent
Salary increases, including inflation	2.5 percent - 12.5 percent	3.25 percent - 13.58 percent	2.75 percent -10.75 percent
Inflation	2.5 percent	2.4 percent	2.75 percent
Investment rate of return - Pension	7.0 percent, net of investment expense, including inflation	7.0 percent, net of investment expense, including inflation	6.9 percent, net of plan investment expense, including inflation
Investment rate of return - OPEB	7.0 percent, net of investment expense, including inflation	7.0 percent, net of investment expense, including inflation	6.0 percent, net of investment expense, including inflation
Health care cost trend rates	-16.2 percent to 30.0 percent initial, 4.0 percent ultimate	6.75 percent to 4.4 percent pre-Medicare, 5.125 percent to 4.4 percent Medicare	5.5 percent initial, 3.5 percent ultimate in 2034
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended June 30, 2020	Period of 5 years ended December 31, 2020
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016.	Healthy Retirees - PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.2% for males and set forward 2 years and adjusted 81.35% for females. Disabled Retirees - PUB-2010 General Disable Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Contingent Survivors - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Actives - PUB-2010 General Amount Weighted Below Median Employee mortality table	Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the BubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

Pension Discount Rate

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rates used to measure the total pension liabilities for STRS were 7.0 percent for the plan years ended June 30, 2022 and 2021 (most recent available information). The discount rates used to measure the total pension liability for SERS were 7.0 percent and 7.5 percent for the plan years ended June 30, 2022 and 2021 (most recent available information). The discount rates used to measure the total pension liability for OPERS were 6.9 percent and 7.2 percent for the plan years ended December 31, 2022 and 2021 (most recent available information).

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

8. Employee Benefit Plans – continued

OPEB Discount Rate

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Plans that project fiduciary net position to be insufficient to make all projected future benefit payments for current active and inactive employees used a blended discount rate between the long-term expected rate of return on plan investments and a 20-year municipal bond rate applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

STRS - OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) was 7.0 percent for the plan years ended June 30, 2022 and 2021 (most recent available information). On June 30, 2022 and 2021, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

SERS – OPEB Discount Rate: The discount rates used to measure the total OPEB liabilities/(assets) were 4.08 percent and 2.27 percent for the plan years ended June 30, 2022 and 2021, respectively (most recent available information). On June 30, 2022 and 2021 the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments (7.0 percent) for the funded benefit payments and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.69 percent and 1.92 percent at June 30, 2022 and 2021, respectively. On June 30, 2022, the long-term expected rate of return on health care investments was applied to projected costs through the year 2044, and the municipal bond rate was applied to all health care costs after that date. On June 30, 2022, the long-term expected rate of return on health care investments was applied to projected costs through the year 2032, and the municipal bond rate was applied to all health care costs after that date.

OPERS – OPEB Discount Rate: The discount rates used to measure the total OPEB liabilities/(assets) were 5.22 percent and 6.0 percent for the plan years ended December 31, 2022 and 2021, respectively. On December 31, 2022, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees through the year 2054. As a result, the actuarial assumed long-term expected rate of return on OPEB plan investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date. On December 31, 2021, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

UA Plan – OPEB Discount Rate: The discount rates used to measure the total OPEB liabilities were 2.12 percent and 2.74 percent, based on the Bond Buyer Index as reported in The Bond Buyer, for the plan years ended December 31, 2020 and 2019 (most recent available information), respectively. The discount rate for postemployment welfare cost purposes is a single rate reflecting the yield or index rate for 20-year, tax-exempt general obligation bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that plan investments are not expected to finance the payment of benefits. Since there are no plan assets, the discount rate is determined based on the aforementioned basis as of the applicable measurement date.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

8. Employee Benefit Plans – continued

OPEB Discount Rate - continued

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. OPERS has two different portfolios of investment, a defined benefit portfolio for pension and health care portfolio for OPEB. As a result, there are different target allocations and long-term expected real rates of return disclosed for each portfolio. The target allocation and best estimates of arithmetic (geometric for STRS) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

STRS as of June 30, 2022			SERS as of June 30, 2022			OPERS as of December 31, 2022				
Investment Category	Target Allocation	Long- term Expected Real Rate of Return	Investment Category	Target Allocation	Long- term Expected Real Rate of Return	Defined Benefit Portfolio		Health Care Portfolio		
						Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long- term Expected Real Rate of Return	
Domestic Equity	26.00%	6.60%	Cash	2.00%	-0.45%	Fixed Income	22.00%	2.62%	34.00%	2.56%
International Equity	22.00%	6.80%	US Equity	24.75%	5.37%	Domestic Equities	22.00%	4.60%	26.00%	4.60%
Alternatives	19.00%	7.38%	Non-U.S. Equity	13.50%	6.22%	Real Estate	13.00%	3.27%	0.00%	0.00%
Fixed Income	22.00%	1.75%	Devolpoping	6.75%	8.22%	Private Equity	15.00%	7.53%	0.00%	0.00%
Real Estate	10.00%	5.75%	Non-U.S. Equity	19.00%	1.20%	International Equities	21.00%	5.51%	25.00%	5.51%
Liquidity Reserves	1.00%	1.00%	Fixed Income	11.00%	10.05%	Risk Parity	2.00%	4.37%	2.00%	4.37%
			Private Equity	16.00%	4.87%	REITs	0.00%	0.00%	7.00%	4.70%
			Real Assets	4.00%	3.39%	Other Investments	5.00%	3.27%	6.00%	1.84%
			Multi-Asset Strategies	3.00%	5.38%					
			Private Debt							
Total	<u>100.00%</u>		Total	<u>100.00%</u>		Total	<u>100.00%</u>		<u>100.00%</u>	

STRS as of June 30, 2021			SERS as of June 30, 2021			OPERS as of December 31, 2021				
Investment Category	Target Allocation	Long- term Expected Real Rate of Return	Investment Category	Target Allocation	Long- term Expected Real Rate of Return	Defined Benefit Portfolio		Health Care Portfolio		
						Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long- term Expected Real Rate of Return	
Domestic Equity	28.00%	7.35%	Cash	2.00%	-0.33%	Fixed Income	24.00%	1.03%	34.00%	0.91%
International Equity	23.00%	7.55%	US Equity	24.75%	5.72%	Domestic Equities	21.00%	3.78%	25.00%	3.78%
Alternatives	17.00%	7.09%	Non-U.S. Equity	13.50%	6.55%	Real Estate	11.00%	3.66%	0.00%	0.00%
Fixed Income	21.00%	3.00%	Devolpoping	6.75%	8.54%	Private Equity	12.00%	7.43%	0.00%	0.00%
Real Estate	10.00%	6.00%	Non-U.S. Equity	19.00%	1.14%	International Equities	23.00%	4.88%	25.00%	4.88%
Liquidity Reserves	1.00%	2.25%	Emerging	11.00%	10.03%	Risk Parity	5.00%	2.92%	2.00%	2.92%
			Fixed Income	16.00%	5.41%	REITs	0.00%	0.00%	7.00%	3.71%
			Private Equity	4.00%	3.47%	Other Investments	4.00%	2.85%	7.00%	1.93%
			Real Assets	3.00%	5.28%					
			Multi-Asset Strategies							
			Private Debt							
Total	<u>100.00%</u>		Total	<u>100.00%</u>		Total	<u>100.00%</u>		<u>100.00%</u>	

Payable to the Pension Plan and OPEB Plan

On June 30, 2023, The University reported a payable of \$1,488,308 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. There was no amount payable for the OPEB plan for the year ended June 30, 2023. On June 30, 2022, The University reported a payable of \$1,358,563 and \$5,758 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of The University, calculated using the discount rate listed below, as well as what The University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2023						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.00%	\$ 147,799,123	7.00%	\$ 97,839,008	8.00%	\$ 55,588,219
SERS	6.00%	58,936,575	7.00%	40,039,733	8.00%	24,119,400
OPERS	5.90%	<u>70,802,783</u>	6.90%	<u>47,184,162</u>	7.90%	<u>27,540,126</u>
		<u>\$ 277,538,481</u>		<u>\$ 185,062,903</u>		<u>\$ 107,247,745</u>
2022						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.00%	\$ 116,504,325	7.00%	\$ 62,214,420	8.00%	\$ 16,339,568
SERS	6.00%	53,531,098	7.00%	32,174,880	8.00%	14,164,248
OPERS	5.90%	<u>31,571,063</u>	6.90%	<u>11,810,341</u>	7.90%	<u>(4,630,653)</u>
		<u>\$ 201,606,486</u>		<u>\$ 106,199,641</u>		<u>\$ 25,873,163</u>

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents the net OPEB liability/(asset) of The University, calculated using the discount rate listed below, as well as what The University's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2023						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.00%	\$ (10,535,437)	7.00%	\$ (11,396,000)	8.00%	\$ (12,133,416)
SERS	3.08%	11,934,643	4.08%	9,609,097	5.08%	7,731,749
OPERS	4.22%	<u>3,377,932</u>	5.22%	<u>992,475</u>	6.22%	<u>(975,917)</u>
		<u>\$ 4,777,138</u>		<u>\$ (794,428)</u>		<u>\$ (5,377,584)</u>
2022						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.00%	\$ (8,657,240)	7.00%	\$ (10,259,000)	8.00%	\$ (11,597,529)
SERS	1.27%	19,031,546	2.27%	15,358,908	3.27%	12,424,943
OPERS	5.00%	<u>(2,528,771)</u>	6.00%	<u>(4,299,945)</u>	7.00%	<u>(5,770,047)</u>
		<u>\$ 7,845,535</u>		<u>\$ 799,963</u>		<u>\$ (4,942,633)</u>

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability/(asset) of The University, calculated using the healthcare cost trend rate listed below, as well as what The University's net OPEB liability/(asset) would be if it were calculated using healthcare cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current healthcare cost trend rates:

2023			
	<u>1.00 percent decrease</u>	<u>Current Trend Rate</u>	<u>1.00 percent increase</u>
STRS	\$ (11,820,575)	\$ (11,396,147)	\$ (10,860,407)
SERS	7,410,338	9,609,097	12,481,031
OPERS	930,269	992,475	1,062,490
	<u>\$ (3,479,968)</u>	<u>\$ (794,575)</u>	<u>\$ 2,683,114</u>
2022			
	<u>1.00 percent decrease</u>	<u>Current Trend Rate</u>	<u>1.00 percent increase</u>
STRS	\$ 11,543,304	\$ (10,259,000)	\$ (8,671,448)
SERS	13,887,990	15,358,908	22,650,962
OPERS	(4,346,411)	(4,299,945)	(4,244,821)
	<u>\$ 21,084,883</u>	<u>\$ 799,963</u>	<u>\$ 9,734,693</u>

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS/SERS/OPERS financial reports.

Assumption changes

During the measurement periods ended June 30, 2022 and December 31, 2022, respectively, certain assumption changes were made by the plans which impacted the annual actuarial valuation for the pension and OPEB liabilities. The STRS demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021. The SERS cost-of-living adjustment was increased from 2.00 percent to 2.50 percent for calendar year 2023. The SERS OPEB discount rate was increased from 2.27 percent to 4.08 percent, and the health care trend rates were updated. No significant assumption changes were made by OPERS.

Benefit changes

There were no significant benefit terms changes for the pension or OPEB plan(s) since the prior two measurement dates for SERS or OPERS. For STRS, salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

Changes since the measurement date

There were no significant changes since the measurement date for the STRS, SERS or OPERS pension and OPEB plan(s).

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

8. Employee Benefit Plans – continued

Defined Contribution Pension Plan

The Alternative Retirement Plan (ARP) is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The University's Board of Trustees adopted The University's plan on April 18, 1998. Full-time employees are eligible to choose a provider, in lieu of STRS, SERS, or OPERS, from the list of six providers currently approved by the Ohio Department of Higher Education and who hold agreements with The University. Employee and employer contributions equal to those required by STRS, SERS, and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS, SERS, or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of six private providers approved by the Ohio Department of Higher Education who hold agreements with The University. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Department of Higher Education. That amount is 4.47 percent for STRS and 2.44 percent for OPERS. For SERS, no funding is contributed if the employee was hired before August 2005. If the employee was hired on or after August 2005, the employer contributes 3.48 percent. The employer also contributes what would have been the employer's contribution under STRS, SERS, or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with five-year plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. STRS and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the year ended June 30, 2023 and 2022, employee contributions totaled approximately \$3,714,000 and \$3,537,000, respectively, and The University recognized pension expense of \$3,967,026 and \$3,815,582, respectively.

9. Litigation, Commitments, and Contingencies

The University has been named as a defendant in a number of lawsuits alleging various causes of action. It is the opinion of The University's management that disposition of the pending matters will not have a material adverse effect on the basic financial statements.

In addition to purchasing insurance to cover potential losses from certain litigation, The University participates in two risk insurance coverage pools, along with other state universities in Ohio's Inter-University Council Insurance Consortium (IUC-IC), for (1) property coverage and (2) casualty coverage. Each university contributes to these pools based on relevant factors, including its percentage of the total insurable values for the property pool and student enrollment, employee count, and number of autos for the casualty pool. In addition to the annual allocation basis, future contributions are adjusted based upon each university's loss history. Under the FY23 programs for both pools, respectively, each university has a \$100,000 per claim deductible and pool coverage of up to the next \$900,000 per covered claim. The University, through the Inter-University Council Insurance Consortium (IUC-IC), purchases \$34,000,000 in liability insurance limits that sits excess of the casualty pool.

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2023 and 2022, respectively, The University made \$1,196,502 and \$1,334,533 in institutional capital contributions, which are reflected as part of The University's net position. Under current guidance issued by the Department of Education, at the time The University liquidates the loan portfolio and assigns the student loans to the Department of Education, The University will be forgoing its institutional capital not yet received back through loan collections.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

9. Litigation, Commitments, and Contingencies - continued

The University provides employee health insurance benefits through a self-insurance program. Two third-party administrators, Anthem Blue Cross and Blue Shield for medical insurance and Delta Dental of Ohio for dental insurance, review all claims which are then paid by The University. Full-time employees are eligible for health insurance benefits effective on the first day of the month following appointment or date of hire. Employees are offered two traditional PPO medical plans with differing levels of coverage and one PPO dental plan. Employees make contributions to pay a portion of health insurance benefits based on plan selections and annual salary ranges.

A claims liability of \$1,136,421 and \$1,326,866, included with accrued liabilities as of June 30, 2023 and 2022, respectively, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Services*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The change in the total liability for actual and estimated claims is summarized below:

	2023	2022	2021
Liability at beginning of year	\$ 1,326,866	\$ 1,467,574	\$ 1,704,272
Claims incurred and changes in estimates	20,717,785	18,967,733	17,229,531
Claim payments	<u>(20,908,230)</u>	<u>(19,108,441)</u>	<u>(17,466,229)</u>
Liability at end of year	<u>\$ 1,136,421</u>	<u>\$ 1,326,866</u>	<u>\$ 1,467,574</u>

The University receives grants and contracts from certain federal and state agencies to fund research and other activities. The federal grants are audited annually in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Federal agencies also may conduct additional audits under federal law or regulations or may arrange for funding the cost of such additional audits by independent auditing firms. The state grants are subject to review and audit by the grantor agencies or their designee. Such federal or state audits could lead to a request for reimbursement by the grantor agency for expenditures disallowed under the terms of the grant. No significant costs have been questioned to date, and management believes that any disallowance or adjustment of such costs would not have a material adverse effect on the basic financial statements.

The University has been appropriated \$12.8 million from the State for buildings and renovations, of which \$2.0 million has been expended as of June 30, 2023.

COVID-19

During December 2019, a novel strain of coronavirus first surfaced in Wuhan, China, and subsequently spread world-wide, with resulting business and social disruptions. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. During March 2020, the University discontinued on campus classes and most operations at all locations and soon thereafter migrated to a remote academic delivery for the remainder of the semester with the vast majority of employees assigned to work from home. With very limited exceptions, the University also closed its campus housing and dining facilities. The University chose to refund proportionate amounts of certain fees and University room and board in the aggregate amount of \$6.1 million and those refunds, which were funded by the CARES Act, were processed during April 2020. The University was awarded CARES Act Higher Education Emergency Relief Funds (HEERF) in the amount of \$14.2 million of which \$6.1 million funded the refunds and \$7.1 million was provided directly to students as prescribed by the CARES Act. The summer 2020 semester was also taught remotely. The fall 2020 semester was taught using a hybrid approach of remote classes and physically distanced in person learning.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

9. Litigation, Commitments, and Contingencies - continued

COVID-19 - continued

In recognition of the negative impact to operations and adverse impact to revenues including the State's \$3.8 million reduction to the University's State Share of Instruction over the remaining months of the fiscal year ended June 30, 2020, The University curtailed its spending for supplies and services, travel and utilities. In anticipation of further revenue challenges, during July 2020, the University eliminated 178 filled positions and a number of unfilled; increased employee health insurance costs for many employees, eliminated the retiree dependent healthcare benefit for many current- and former-employees, and temporarily reduced compensation for the fiscal year ending June 30, 2021 for many employees.

In August 2020 The University received an award of \$9.5 million in CARES Act Coronavirus Relief Funds (CRF) through the Ohio Department of Higher Education. In November 2020, The University received an additional award of CRF of \$4.7 million. The University received a second HEERF award of \$22.9 million in January 2021 of which \$7.1 million was sent as aid to students. Of the remaining \$15.8 million to be used by The University \$9.3 million was submitted as recovery of lost revenue and \$2.5 million was used as reimbursement for applicable expenses. The remaining \$4 million can be used during FY22. In May 2021 The University was notified of a third HEERF award of \$40.1 million. Student aid of \$20.2 million will be paid during FY22 and \$17.8 million was submitted for FY21 lost revenue and was recognized as revenue in FY22. The remaining \$2.1 million will be available for use in FY22 and was recognized as revenue in FY23. There were also several smaller grants awarded by the Department of Higher Education, Summit County and the Governor of Ohio for mental health and health and safety of the campus community totaling approximately \$2.6 million. The University is also gathering information for any additional loss of income covered by insurance or expenses reimbursable by FEMA.

COVID-19 contributed to declines in student enrollment of 5% and 6% for academic years 2020 and 2021, respectively. As a result of COVID-19, the University incurred additional expenses to support technology, COVID-19 testing, facilities enhancements to accommodate a de-densified campus, and the online academic experience The University redesigned its scholarship program to address students' financial situations, which is anticipated to increase enrollment of new students while also increasing retention of existing students. On May 25, 2021, the University announced that it would resume in-class and on-campus operations, including instruction, laboratory research, housing, dining, and sports, for the fall 2021 semester.

10. Subsequent Event

On August 1, 2023, The University signed a long-term lease and concession agreement for parking system operations with UAkronPark Inc. As of the reporting date, closing on this agreement has not occurred. Initial terms of the agreement include an estimated closing consideration of a \$55 million payment to The University with a 35-year term ending December 31, 2058. The closing consideration may be more or less based on the sale of Parking Bonds by the concessionaire. The University has the option to terminate this agreement if the closing consideration is less than \$50 million. The University will determine the impact of this transaction in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* once the agreement has closed.

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

10. Component units

Details of the component units' net position on June 30, 2023 and 2022 are as follows:

	2023			2022		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,762,587	\$ 354,890	\$ 2,117,477	\$ 9,322,467	\$ 733,408	\$ 10,055,875
Pooled investments	-	6,302,321	6,302,321	-	6,315,094	6,315,094
Accounts receivable, net	648,639	1,196,592	1,845,231	406,890	1,023,915	1,430,805
Pledges receivable, net	1,339,430	-	1,339,430	1,669,921	-	1,669,921
Notes receivable, net	210,884	-	210,884	220,884	-	220,884
Prepaid expenses	-	140,589	140,589	-	178,676	178,676
Total current assets	3,961,540	7,994,392	11,955,932	11,620,162	8,251,093	19,871,255
Noncurrent assets:						
Restricted investments	-	1,305,055	1,305,055	-	1,104,886	1,104,886
Endowment investments	235,460,505	-	235,460,505	217,016,683	-	217,016,683
Pledges receivable, net	9,695,867	-	9,695,867	10,319,033	-	10,319,033
Notes receivable, net	1,175,000	-	1,175,000	-	-	-
Capital assets, net	1,332,423	2,926,368	4,258,791	747,900	3,187,451	3,935,351
Total assets	251,625,335	12,225,815	263,851,150	239,703,778	12,543,430	252,247,208
Liabilities						
Current liabilities:						
Accounts payable	547,771	2,483,034	3,030,805	562,918	2,196,274	2,759,192
Accrued liabilities	-	776,288	776,288	-	553,640	553,640
Unearned income	33,500	125,046	158,546	33,500	68,280	101,780
Total current liabilities	581,271	3,384,368	3,965,639	596,418	2,818,194	3,414,612
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	8,394,893	-	8,394,893	8,874,610	-	8,874,610
Long-term liabilities	-	1,172,902	1,172,902	-	2,158,073	2,158,073
Total liabilities	8,976,164	4,557,270	13,533,434	9,471,028	4,976,267	14,447,295
Net position						
Net investment in capital assets	1,332,423	1,753,466	3,085,889	747,900	1,029,378	1,777,278
Restricted:						
Nonexpendable	160,412,669	-	160,412,669	152,244,857	-	152,244,857
Expendable	71,842,508	-	71,842,508	68,706,233	-	68,706,233
Unrestricted	9,061,571	5,915,079	14,976,650	8,533,760	6,537,785	15,071,545
Total net position	\$ 242,649,171	\$ 7,668,545	\$ 250,317,716	\$ 230,232,750	\$ 7,567,163	\$ 237,799,913

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

10. Component units - continued

Details of the component units' revenues, expenses, and changes in net position on June 30, 2023 and 2022 are as follows:

	2023			2022		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Revenues						
Operating revenues:						
Private grants and contracts	\$ -	\$ 429,778	\$ 429,778	\$ -	\$ 494,240	\$ 494,240
Gifts and contributions	8,980,446	-	8,980,446	16,398,775	-	16,398,775
Other sources	-	2,876,519	2,876,519	-	2,265,383	2,265,383
Total operating revenues	8,980,446	3,306,297	12,286,743	16,398,775	2,759,623	19,158,398
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	3,492,398	3,492,398	-	2,937,466	2,937,466
Institutional support	1,395,300	-	1,395,300	1,068,183	-	1,068,183
Depreciation	-	306,355	306,355	-	374,536	374,536
Total operating expenses	1,395,300	3,798,753	5,194,053	1,068,183	3,312,002	4,380,185
Operating income (loss)	7,585,146	(492,456)	7,092,690	15,330,592	(552,379)	14,778,213
Nonoperating revenues (expenses)						
Investment income, net	18,448,034	843,453	19,291,487	(15,288,778)	(890,380)	(16,179,158)
Interest on debt	-	(83,871)	(83,871)	-	17,896	17,896
Distributions to The University	(13,253,404)	(278,092)	(13,531,496)	(11,395,885)	(303,541)	(11,699,426)
Distributions on behalf of The University	(431,089)	-	(431,089)	(641,117)	-	(641,117)
Other nonoperating revenues	67,734	112,348	180,082	66,805	619,160	685,965
Net nonoperating revenues (expenses)	4,831,275	593,838	5,425,113	(27,258,975)	(556,865)	(27,815,840)
Gain (loss) before other changes	12,416,421	101,382	12,517,803	(11,928,383)	(1,109,244)	(13,037,627)
(Decrease) Increase in net position	12,416,421	101,382	12,517,803	(11,928,383)	(1,109,244)	(13,037,627)
Net position - beginning of year	230,232,750	7,567,163	237,799,913	242,161,133	8,676,407	250,837,540
Net position - end of year	<u>\$ 242,649,171</u>	<u>\$ 7,668,545</u>	<u>\$ 250,317,716</u>	<u>\$ 230,232,750</u>	<u>\$ 7,567,163</u>	<u>\$ 237,799,913</u>

The University of Akron

Notes to the Basic Financial Statements

June 30, 2023 and 2022

10. Component units - continued

The following tables present information about the component units' assets and liabilities measured at fair value on a recurring basis on June 30, 2023 and 2022 and the valuation techniques used to determine those fair values:

Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2023

	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Investments					
Beneficial interest in real estate	\$ 335,000	\$ -	\$ -	\$ 335,000	\$ -
Bonds	10,165,352	-	10,165,352	-	-
Cash and cash equivalent	9,016,574	9,016,574	-	-	-
Common stocks	2,889,907	2,889,907	-	-	-
Equity funds	26,854,252	10,065,148	-	-	16,789,104
Equity trust	36,939	36,939	-	-	-
Exchange traded funds	243,875	243,875	-	-	-
Fixed income funds	16,379,743	-	-	-	16,379,743
Floaters	380,000	-	380,000	-	-
Hedge funds	43,411,616	-	-	-	43,411,616
International equity funds	62,026,038	16,798,377	-	-	45,227,661
Mutual funds	17,398,155	17,398,155	-	-	-
Opportunistic	7,407,796	-	-	-	7,407,796
Other	12,828	12,828	-	-	-
Preferred stocks	40,115	40,115	-	-	-
Private equity funds	14,913,698	-	-	-	14,913,698
Real estate funds	2,134,809	-	-	-	2,134,809
U.S. Treasury note	13,057,715	13,057,715	-	-	-
U.S. Treasury obligations	8,756,093	8,756,093	-	-	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(8,394,893)	-	-	(8,394,893)	-

Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2022

	Balance at June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Investments					
Beneficial interest in real estate	\$ 335,000	\$ -	\$ -	\$ 335,000	\$ -
Bonds	10,329,568	-	10,329,568	-	-
Cash and cash equivalent	16,605,556	16,605,556	-	-	-
Common stocks	2,571,573	2,571,573	-	-	-
Equity funds	19,018,749	7,683,332	-	-	11,335,417
Equity trust	35,459	35,459	-	-	-
Exchange traded funds	262,197	262,197	-	-	-
Fixed income funds	15,701,108	-	-	-	15,701,108
Floaters	380,000	-	380,000	-	-
Hedge funds	41,699,155	-	-	-	41,699,155
International equity funds	49,552,952	(166,504)	-	-	49,719,456
Mutual funds	18,060,149	18,060,149	-	-	-
Opportunistic	5,943,607	-	-	-	5,943,607
Preferred stocks	44,810	44,810	-	-	-
Private equity funds	14,692,038	-	-	-	14,692,038
Real estate funds	2,150,821	-	-	-	2,150,821
U.S. Treasury note	18,364,731	18,364,731	-	-	-
U.S. Treasury obligations	18,364,731	1,255,012	766	-	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(8,874,610)	-	-	(8,874,610)	-

The University of Akron
Notes to the Basic Financial Statements
June 30, 2023 and 2022

10. Component units – continued

Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2023

	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Short-term investments					
Fixed income	\$ 1,540,570	\$ 1,540,570	\$ -	\$ -	\$ -
Large growth	763,140	763,140	-	-	-
Large value	719,207	719,207	-	-	-
Small- and mid-cap growth	686,479	686,479	-	-	-
Alternatives	1,371,092	1,371,092	-	-	-
Internationals	1,221,562	1,221,562	-	-	-

Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2022

	Balance at June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Short-term investments					
Fixed income	\$ 1,565,829	\$ 1,565,829	\$ -	\$ -	\$ -
Large growth	945,256	945,256	-	-	-
Large value	791,476	791,476	-	-	-
Small- and mid-cap growth	717,101	717,101	-	-	-
Alternatives	1,156,956	1,156,956	-	-	-
Internationals	1,138,476	1,138,476	-	-	-

Details of the component units' capital assets on June 30, 2023 and 2022 are as follows:

	2023			2022		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Capital assets:						
Land	\$ 1,332,423	\$ 290,607	\$ 1,623,030	\$ 747,900	\$ 290,607	\$ 1,038,507
Buildings	-	5,558,432	5,558,432	-	5,513,180	5,513,180
Equipment	-	2,349,394	2,349,394	-	1,669,252	1,669,252
Total capital assets	1,332,423	8,198,433	9,530,856	747,900	7,473,039	8,220,939
Less: accumulated depreciation	-	(5,272,065)	(5,272,065)	-	(4,285,588)	(4,285,588)
Capital assets, net	<u>\$ 1,332,423</u>	<u>\$ 2,926,368</u>	<u>\$ 4,258,791</u>	<u>\$ 747,900</u>	<u>\$ 3,187,451</u>	<u>\$ 3,935,351</u>

Required Supplementary Information

The University of Akron

Schedule of The University's Proportionate Share of the Net Pension Liability Fiscal Years Ended June 30, 2015 to 2023

Plan Year	University's proportion of the net pension liability	University's proportionate share of the net pension liability	University's covered payroll	University's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
State Teachers Retirement System (STRS)					
2023	0.440119%	\$ 97,839,008	\$ 73,485,177	133.14%	78.90%
2022	0.486586%	62,214,420	71,273,436	87.29%	87.80%
2021	0.618351%	149,618,884	74,643,389	200.44%	75.50%
2020	0.661606%	146,310,173	92,564,876	158.06%	70.85%
2019	0.723614%	159,106,476	95,918,966	165.88%	77.30%
2018	0.802782%	190,702,668	100,964,550	188.88%	75.29%
2017	0.844647%	282,728,801	106,894,227	264.49%	66.78%
2016	0.913123%	252,360,353	107,800,627	234.10%	72.10%
2015	0.950840%	231,277,151	114,757,851	201.53%	74.70%
State Employees Retirement System (SERS)					
2023	0.740273%	\$ 40,039,733	\$ 25,460,124	157.26%	75.82%
2022	0.872017%	32,174,880	27,886,579	115.38%	82.86%
2021	1.064001%	70,375,241	31,555,857	223.02%	68.55%
2020	1.201677%	71,898,430	38,297,517	187.74%	77.40%
2019	1.388076%	79,497,683	42,216,488	188.31%	71.36%
2018	1.663330%	99,380,266	46,295,774	214.66%	69.50%
2017	1.763465%	129,069,381	51,923,833	248.57%	62.98%
2016	1.989093%	113,499,597	57,391,681	197.76%	69.16%
2015	2.065374%	104,527,403	65,124,508	160.50%	71.70%
Ohio Public Employees Retirement System (OPERS)					
2023	0.378199%	\$ 47,184,162	\$ 33,100,455	142.55%	76.07%
2022	0.364106%	11,810,341	27,570,160	42.84%	93.01%
2021	0.354894%	20,208,912	23,082,211	87.55%	87.21%
2020	0.390496%	27,211,611	23,749,437	114.58%	82.44%
2019	0.266603%	27,472,320	18,717,610	146.77%	74.91%
2018	0.123075%	7,940,334	11,568,937	68.63%	84.85%
2017	0.030957%	6,697,227	3,843,681	174.24%	77.39%
2016	0.029042%	5,030,441	2,724,473	184.64%	81.08%
2015	0.032842%	3,961,106	3,080,746	128.58%	86.45%

Note: For 2023, the plan fiduciary net position as a percentage of the total pension liability is as follows for each plan:

STRS: 78.90%
SERS: 75.82%
OPERS: 76.07%

The University of Akron
 Schedule of The University's Pension Contributions
 Fiscal Years Ended June 30, 2015 to 2023

Fiscal Year	Statutorily required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	University's covered payroll	Contributions as a percentage of covered payroll
State Teachers Retirement System (STRS)					
2023	\$ 7,846,543	\$ 7,846,543	\$ -	\$ 73,485,177	10.68%
2022	7,123,860	7,123,860	-	71,273,438	10.00%
2021	8,418,157	8,418,157	-	74,643,389	11.28%
2020	10,449,904	10,449,904	-	92,564,876	11.29%
2019	10,891,360	10,891,360	-	95,918,966	11.35%
2018	11,507,584	11,507,584	-	100,964,550	11.40%
2017	12,384,730	12,384,730	-	106,894,227	11.59%
2016	12,487,105	12,487,105	-	107,800,627	11.58%
2015	13,373,987	13,373,987	-	114,757,851	11.65%
State Employees Retirement System (SERS)					
2023	\$ 3,397,766	\$ 3,397,766	\$ -	\$ 25,460,124	13.35%
2022	3,450,492	3,450,492	-	27,886,579	12.37%
2021	3,962,378	3,962,378	-	31,555,857	12.56%
2020	4,782,096	4,782,096	-	38,297,517	12.49%
2019	5,038,149	5,038,149	-	42,216,488	11.93%
2018	5,841,600	5,841,600	-	46,295,774	12.62%
2017	6,560,433	6,560,433	-	51,923,833	12.63%
2016	7,265,453	7,265,453	-	57,391,681	12.66%
2015	7,742,505	7,742,505	-	65,124,508	11.89%
Ohio Public Employees Retirement System (OPERS)					
2023	\$ 4,186,226	\$ 4,186,226	\$ -	\$ 33,100,455	12.65%
2022	3,333,533	3,333,533	-	27,570,160	12.09%
2021	2,927,968	2,927,968	-	23,082,211	12.68%
2020	3,056,045	3,056,045	-	23,749,437	12.87%
2019	2,511,156	2,511,156	-	18,717,610	13.42%
2018	1,586,905	1,586,905	-	11,568,937	13.72%
2017	590,804	590,804	-	3,843,681	15.37%
2016	438,640	438,640	-	2,724,473	16.10%
2015	496,000	496,000	-	3,080,746	16.10%

The University of Akron

Schedule of The University's Proportionate Share of the Net OPEB Liability/(Asset) Fiscal Years Ended June 30, 2018 to 2023

Plan Year	University's proportion of the net OPEB liability/(asset)	University's proportionate share of the net OPEB liability/(asset)	University's covered payroll	University's proportionate share of the net OPEB liability/(asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability/(asset)
State Teachers Retirement System (STRS)					
2023	0.440119%	\$ (11,396,000)	\$ 73,485,177	-15.51%	230.70%
2022	0.486586%	(10,259,000)	71,273,436	-14.39%	174.70%
2021	0.618351%	(10,868,000)	74,643,389	-14.56%	182.10%
2020	0.661606%	(10,958,000)	92,564,876	-11.84%	174.70%
2019	0.723614%	(11,628,000)	95,918,966	-12.12%	176.00%
2018	0.802782%	31,321,605	100,964,550	31.02%	47.11%
State Employees Retirement System (SERS)					
2023	0.684404%	\$ 9,609,097	\$ 25,460,124	37.74%	30.34%
2022	0.811532%	15,358,908	27,886,579	55.08%	24.08%
2021	1.007289%	21,891,680	31,555,857	69.37%	18.17%
2020	1.172694%	29,490,781	38,297,517	77.00%	15.57%
2019	1.404304%	38,959,181	42,216,488	92.28%	13.57%
2018	1.680977%	45,112,998	46,295,774	97.45%	12.46%
Ohio Public Employees Retirement System (OPERS)					
2023	0.157406%	\$ 992,475	\$ 33,100,455	3.00%	94.79%
2022	0.137284%	(4,299,945)	27,570,160	-15.60%	128.23%
2021	0.136319%	(2,428,632)	23,082,211	-10.52%	115.57%
2020	0.138094%	19,074,369	23,749,437	80.32%	47.80%
2019	0.099702%	12,998,787	18,717,610	69.45%	46.33%
2018	0.049652%	5,391,787	11,568,937	46.61%	54.14%

Note: For 2023, the plan fiduciary net position as a percentage of the total OPEB liability/(asset) is as follows for each plan:

STRS: 230.70%
SERS: 30.34%
OPERS: 94.79%

The University of Akron
Schedule of The University's OPEB Contributions
Fiscal Years Ended June 30, 2018 to 2023

Fiscal Year	Statutorily required contribution	Contributions in relation to the actuarially determined contractually required contribution	Contribution deficiency (excess)	University's covered payroll	Contributions as a percentage of covered payroll
State Teachers Retirement System (STRS)					
2023	\$ -	\$ -	\$ -	\$ 73,485,177	0.00%
2022	-	-	-	71,273,438	0.00%
2021	-	-	-	74,643,389	0.00%
2020	-	-	-	92,564,876	0.00%
2019	-	-	-	95,918,966	0.00%
2018	-	-	-	100,964,550	0.00%
State Employees Retirement System (SERS)					
2023	\$ -	\$ -	\$ -	\$ 25,460,124	0.00%
2022	198,064	198,064	-	27,886,579	0.71%
2021	223,035	223,035	-	31,555,857	0.71%
2020	287,741	287,741	-	38,297,517	0.75%
2019	516,517	516,517	-	42,216,488	1.22%
2018	569,979	569,979	-	46,295,738	1.23%
Ohio Public Employees Retirement System (OPERS)					
2023	\$ -	\$ -	\$ -	\$ 33,100,455	0.00%
2022	-	-	-	27,570,160	0.00%
2021	-	-	-	23,082,211	0.00%
2020	-	-	-	23,749,437	0.00%
2019	-	-	-	18,717,610	0.00%
2018	39,302	39,302	-	11,568,923	0.34%

The University of Akron
Schedule of Changes in The University's
Net OPEB Liability and Related Ratios
Fiscal Years Ended June 30, 2018 to 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability					
Service cost	\$ -	\$ -	\$ 329,951	\$ 362,567	\$ 404,391
Interest	-	-	1,318,137	2,005,578	1,832,190
Changes of benefit terms	-	-	(48,266,207)	-	-
Differences between expected and actual experience	-	-	-	-	92,622
Changes of assumptions	-	-	163,433	(271,236)	(3,419,925)
Benefit payments	-	-	(2,645,103)	(3,102,189)	(3,137,088)
Net change in total OPEB liability	-	-	(49,099,789)	(1,005,280)	(4,227,810)
Net OPEB liability - beginning	-	-	49,099,789	50,105,069	54,332,879
Net OPEB liability - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,099,789</u>	<u>\$ 50,105,069</u>
Covered-employee payroll	\$ -	\$ -	\$ 13,448,810	\$ 13,448,810	\$ 18,783,923
Net OPEB liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	365.09%	266.74%
	<u>2018</u>				
Total OPEB liability					
Service cost	\$ 385,134				
Interest	1,853,219				
Benefit payments	(2,693,367)				
Net change in total OPEB liability	(455,014)				
Net OPEB liability - beginning	54,787,893				
Net OPEB liability - ending	<u>\$ 54,332,879</u>				
Covered-employee payroll	\$ 18,148,718				
Net OPEB liability as a percentage of covered-employee payroll	299.38%				

During fiscal year 2021, all benefits under The University's plan were terminated. See Notes to the Required Supplementary Information.

The University of Akron

Notes to the Required Supplementary Information

Fiscal Years Ended June 30, 2015 to 2023

Basis of Presentation

These are 10-year schedules. However, the information in the schedules is not required to be presented retroactively. Years will be added to the schedules in future fiscal years until 10 years of information is available.

The amounts presented for each fiscal year for STRS and SERS on the Schedule of University Proportionate Share of the Net Pension Liability and the Schedule of University Proportionate Share of the Net OPEB Liability/(Asset) were determined as of the yearend that occurred one year prior.

The amounts presented for each fiscal year for OPERS on the Schedule of University Proportionate Share of the Net Pension Liability and the Schedule of University Proportionate Share of the Net OPEB Liability/(Asset) were determined as of December 31 yearend that occurred within the fiscal year.

The amounts presented for each fiscal year for the UA Plan were determined as of the December 31 yearend that occurred within the fiscal year.

Summary of Changes to Pension Plans

Changes of benefit terms. There were no changes in benefit terms affecting the STRS, SERS, OPERS plans.

Changes of assumptions. STRS: During the plan year ended June 30, 2017, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

SERS: During the plan year ended June 30, 2017, the cost-of-living adjustment dropped from 3.00 percent to 2.50 percent.

During the plan year ended June 30, 2016, there were changes to several assumptions for SERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.50-18.20 percent. The mortality tables used changed from RP-2000 to RP-2014.

OPERS: During the plan year ended December 31, 2018, the discount rate dropped from 7.5 to 7.2.

During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

The University of Akron

Notes to the Required Supplementary Information

Fiscal Years Ended June 30, 2015 to 2023

Summary of Changes to OPEB Plans

Changes of benefit terms. There were no changes in benefit terms affecting the STRS, SERS, OPERS plans for the years ended June 30, 2021 and December 31, 2021, respectively.

Note: June 30 for STRS and SERS.

UA Plan: During the plan year ended December 31, 2020 all benefits under the plan were terminated. During May 2020, the University eliminated the University provided retiree dependent health insurance benefit for all eligible current and former non-bargaining employees effective December 31, 2020. Except for the University's faculty union, the remaining University unions also elected to eliminate the benefit by separate ratifications during July 2020 also effective December 31, 2020. During December 2020, the University Board of Trustees approved the elimination of the University provided retiree dependent health insurance for eligible dependents of the faculty union effective January 31, 2021. During December 2020, the University eliminated the retiree life insurance program for eligible former employees effective December 31, 2020.

Changes of assumptions. STRS: During the plan year ended June 30, 2018 there were changes to several assumptions for STRS. The health care cost trend rates decreased from 6.00 percent to 11.0 percent initial and 4.5 percent ultimate for plan year ended June 30, 2017, to -5.23 percent to 9.62 percent initial and 4 percent ultimate for plan year ended June 30, 2018. The discount rate increased from a blended rate between the long-term expected rate of return and a 20-year municipal bond rate of 4.13 percent to the investment rate of return of 7.45 percent based on the cash flow analysis.

SERS: During the plan year ended June 30, 2020, the discount rate was reduced from 3.22 percent to 2.63 percent.

During the plan year ended June 30, 2019, the discount rate was reduced from 3.7 percent to 3.22 percent.

OPERS: During the plan year ended December 31, 2020, there were changes to several assumptions for OPERS. The health care cost trend rates decreased from 10.5 percent initial and 3.5 percent ultimate to 8.5 percent initial and 3.5 percent ultimate. The discount rate was increased from 3.16 percent to 6.00 percent.

During the plan year ended December 31, 2019, there were changes to several assumptions for OPERS. The health care cost trend rates decreased from 10.0 percent initial and 3.25 percent ultimate to 10.5 percent initial and 3.5 percent ultimate. The discount rate was reduced from 3.96 percent to 3.16 percent.

UA Plan: During the plan year ended December 31, 2020 the investment rate of return decreased from 2.74 percent to 2.12 percent based on the Bond Buyer Index, as reported in the Bond Buyer.

During the plan year ended December 31, 2019 the investment rate of return decreased from 4.10 percent to 2.74 percent based on the Bond Buyer Index, as reported in The Bond Buyer.

During the plan year ended December 31, 2018 the investment rate of return increased from 3.44 percent to 4.10 percent based on the Bond Buyer Index, as reported in The Bond Buyer.

There are no assets accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Supplementary Financial Information

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To Management and the Board of Trustees
The University of Akron

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of The University of Akron (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2023, and the related notes to the financial statements which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Columbus, Ohio
November 30, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Trustees
The University of Akron

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The University of Akron's (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be significant deficiencies.

(Continued)

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Columbus, Ohio
November 30, 2023

The University of Akron

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance			Total Expenditures
	Listing Number	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	
Student Financial Aid Cluster				
Department of Education				
Direct				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 769,658
Federal Work-Study Program	84.033	N/A	-	584,701
Federal Perkins Loan Program	84.038	N/A	-	5,258,097
Federal Pell Grant Program	84.063	N/A	-	18,376,924
Federal Direct Student Loans	84.268	N/A	-	50,340,599
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	-	<u>23,103</u>
Total Department of Education			-	75,353,082
Department of Health and Human Services				
Direct				
Nursing Student Loans	93.364	N/A	-	<u>673,483</u>
Total Department of Health and Human Services			-	<u>673,483</u>
Total Student Financial Aid Cluster				
			-	76,026,565
Research and Development Cluster				
Department of Agriculture				
Pass Through				
University of Akron Research Foundation-Rural Business Development Grant	10.351	N/A	-	<u>581</u>
Total Department of Agriculture			-	581
Department of Defense				
Direct				
Basic and Applied Scientific Research	12.300	N/A	111,029	218,209
Military Medical Research and Development	12.420	N/A	-	134,645
Air Force Defense Research Science Program	12.800	N/A	-	30,342
Pass Through				
American Maglev Technology of FL Inc.-Basic and Applied Scientific Research	12.300	N6833521C0497	-	13,104
Marquette University-Basic and Applied Scientific Research	12.300	W9132T22C0025	-	9,522
Sherwin-Williams Company-Basic and Applied Scientific Research	12.300	HR0011-18-9-0007	-	6,277
Neomatrix Therapeutics, Inc.-Military Medical Research and Development	12.420	W81XWH-22-C-00	-	65,231
Washington University in St Louis-Military Medical Research and Development	12.420	W81XWH19C0054	-	35,459
Universities Space Research Association-Future Scholars for Science, Technology, Engineering, and Mathematics (STEM) Workforce Development Programs	12.560	FA9453-21-2-0064	-	17,184
Saint-Gobain Ceramics & Plastics, Inc.-Basic, Applied, and Advanced Research in Science and Engineering	12.630	W911QY-18-2-000	-	6,716
The Henry M. Jackson Foundation for...-Uniformed Services University Medical Research Projects	12.750	HU0001-20-2-004	-	12,166
Bioindustrial Manufacturing and Design E-Air Force Defense Research Sciences Program	12.800	FA8650-21-2-5028	-	21,161
Ohio Aerospace Institute-Air Force Defense Research Sciences Program	12.800	A8650-21-F-2015	-	(3,259)
Ohio Aerospace Institute-Air Force Defense Research Sciences Program	12.800	FA8649-21-P-0088	-	15,627
Ohio Aerospace Institute-Air Force Defense Research Sciences Program	12.800	FA8650-14-D-2410	-	(8,283)
UES, Inc-Air Force Defense Research Sciences Program	12.800	FA8650-22-F-5286	-	27,305
University of California, San Diego-Air Force Defense Research Sciences Program	12.800	FA9550-18-1-0142	-	261,465
University of Nebraska/Lincoln & Brunswi-Air Force Defense Research Sciences Program	12.800	FA9550-20-1-0149	-	70,702
Edaptive Computing, Inc.-Air Force Medical Research and Development	12.810	NA	(265)	(265)
Wright State University-Research and Technology Development	12.910	FA8650-20-2-1136	<u>68,355</u>	<u>946,329</u>
Total Department of Defense			179,119	1,879,637

The University of Akron

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance		Pass-Through to Subrecipient	Total Expenditures
	Listing Number	Pass-through Entity Identifying Number		
Research and Development Cluster - continued				
Department of Transportation				
Direct				
Air Transportation Centers of Excellence	20.109	N/A	\$ -	\$ (167)
Pipeline Safety Research Competitive Academic Agreement Program	20.724	N/A	123,940	180,384
Pass Through				
Minnesota Department of Transportation - Highway Research and Development Program	20.200	TPF-5(353)	18,000	27,360
University of Michigan-University Transportation Centers Program	20.701	69A3551747105	-	115,044
Engineering Mechanics Corporation of Col-Pipeline Safety Research Competitive Academic Agreement Program (CAAP)	20.724	693JK32210003PO	-	14,621
Total Department of Transportation			141,940	337,242
National Aeronautics and Space Administration				
Direct				
Aerospace Education Services Program	43.001	N/A	-	460
Technology Transfer	43.002	N/A	-	37,080
Aeronautics and Space Act of 1958	43.008	N/A	-	19,319
Pass Through				
Georgia Institute of Technology-Aerospace Education Service Program	43.001	80NSSC18K1139	-	135,944
HX5-Aerospace Education Services Program	43.001	80GRC020D0003	-	1,140,472
Johns Hopkins University Applied Physics-Aerospace Education Services Program	43.001	80MSFC20D0004	-	17,642
Analytical Mechanics Associates, Inc.-Technology Transfer	43.002	80LARC17C0003	-	6,651
Ohio Space Grant Consortium-Aeronautics and Space Act of 1958	43.008	N/A	-	16
Total National Aeronautics and Space Administration			-	1,357,584
National Science Foundation				
Direct				
Engineering Grants	47.041	N/A	49,814	1,049,059
Mathematical and Physical Sciences	47.049	N/A	3,278	1,487,595
Geosciences	47.050	N/A	-	255,598
Computer and Information Science and Engineering	47.070	N/A	-	345,900
Biological Sciences	47.074	N/A	-	443,971
Education and Human Resources	47.076	N/A	-	405,359
International Science and Engineering (OISE)	47.079	N/A	-	15,882
Office of Integrative Activities	47.083	N/A	-	103,550
NSF Technology, Innovation and Partnerships	47.084	N/A	-	174,908
Pass Through				
eSens LLC-Engineering Grants	47.041	2054577	-	49,158
MIC Monitor LLC-Engineering Grants	47.041	2112183	-	25,718
Northeastern University-Engineering Grants	47.041	2113403	-	18,597
PolyLux LLC-Engineering Grants	47.041	2112317	-	(3,259)
University of Michigan-Engineering Grants	47.041	2048612	23,737	32,884
Virginia Tech-Engineering Grants	47.041	1650423	-	142,933
ZSense-Engineering Grants	47.041	2126900	-	49,016
American Society For Engineering Educati-Education and Human Resources	47.076	2044199	-	4,478
Total National Science Foundation			76,829	4,601,347

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance		Pass-Through to Subrecipient	Total Expenditures
	Listing Number	Pass-through Entity Identifying Number		
Research and Development Cluster - continued				
Department of Energy				
Direct				
Conservation Research and Development	81.086	N/A	\$ 81,074	\$ 377,727
Fossil Energy Research and Development	81.089	N/A	51,530	140,741
Nuclear Energy Research, Development and Demonstration	81.121	N/A	-	73,170
Pass Through				
Akron PolyEnergy, Inc.-Office of Science Financial Assistance Program	81.049	DE-SC0020014-1	-	981
Kent State University-Office of Science Financial Assistance Prog	81.049	DE-SC0022191	-	5,138
Alliance for Sustainable Energy LLC-Renewable Energy Research and Developm	81.049	DE-AC36-08GO28	-	67,843
Sustainable Manufacturing Innovation All-Renewable Energy	81.089	DE-EE0007897	-	624,528
Total Department of Energy			132,604	1,290,128
Department of Education				
Pass Through				
University of Cincinnati-Special Education—National Activities—State Improvement, State Improvement Grant Program	84.323A	H323A170026	-	35,207
University of Cincinnati-Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K	H325K19006	-	8,739
Total Department of Education			-	43,946
Department of Health and Human Services				
Direct				
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	N/A	-	61,571
Cancer Detection and Diagnosis Research	93.394	N/A	61,111	289,379
Cancer Treatment Research	93.895	N/A	-	2,926
Lung Diseases Research	93.838	N/A	-	-
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	N/A	-	33,648
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	N/A	-	116,515
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	N/A	18,532	21,118
Allergy, Immunology and Transplantation Research	93.855	N/A	-	8,852
Biomedical Research and Research Training	93.859	N/A	-	29,499
Vision Research	93.867	N/A	84,256	150,875
Pass Through				
Brown University-Mental Health Research Grant	93.242	R34MH119968	-	30,074
Research Foundation for Mental Hygiene-Mental Health Research	93.242	R01MH054137	-	14,988
Ohio State University-Epidemiology and laboratory Capacity ELC	93.323	6NU50CK000543	-	531
Pennsylvania State University-Cardiovascular Diseases Research	93.837	R01HL122311	-	27,619
University of Texas Arlington-Cardiovascular Diseases Research	93.837	R15HL140503	-	12,307
University of Toledo-Allergy, Immunology and Transplantation	93.855	7R01AI144115-04	-	61,504
Case Western Reserve University-Vision Research	93.867	R01EY029169	-	16,126
Total Department of Health and Human Services			163,899	877,532
Total Research and Development Cluster			694,391	10,387,997

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	Assistance		Pass-Through to Subrecipient	Total Expenditures
	Listing Number	Pass-through Entity Identifying Number		
Highway Planning and Construction Cluster				
Department of Transportation				
Pass Through				
Ohio Department of Transportation-Highway Planning and Construction	20.205	E180673	\$ (903)	\$ (903)
Ohio Department of Transportation-Highway Planning and Construction	20.205	E190485	-	112,723
Ohio Department of Transportation-Highway Planning and Construction	20.205	E200928	16,724	57,882
Ohio Department of Transportation-Highway Planning and Construction	20.205	E210404	42,734	131,889
Ohio Department of Transportation-Highway Planning and Construction	20.205	E230272	-	21,089
Ohio University-Highway Planning and Construction	20.205	E200943	-	123
University of Cincinnati - Highway Planning and Construction	20.205	37852	-	19,983
University of Cincinnati - Highway Planning and Construction	20.205	E201001	-	1,243
University of Cincinnati - Highway Planning and Construction	20.205	E210395	-	7,035
University of Cincinnati - Highway Planning and Construction	20.205	ODOT 37854	-	309
Total Department of Transportation			<u>58,555</u>	<u>351,373</u>
Total Highway Planning and Construction Cluster			58,555	351,373
Highway Safety Cluster				
Pass Through				
Ohio Dept of Public Safety and Community Highway Safety	20.600	69A37520300004	-	78,563
Ohio Dept of Public Safety and Community Highway Safety	20.600	69A37521300004	-	17,202
Total Department of Transportation			-	<u>95,765</u>
Total Highway Safety Cluster			-	95,765
TRIO Cluster				
Department of Education				
Direct				
TRIO Talent Search	84.044	N/A	-	405,714
TRIO Upward Bound	84.047	N/A	-	615,647
Total Department of Education			-	<u>1,021,361</u>
Total TRIO Cluster			-	1,021,361
TANF Cluster				
Department of Health and Human Services				
Pass Through				
Summit County Dept of Job and Family Srv-Temporary Assistance	93.558	N/A	-	27,829
Total Department of Health and Human Services			-	<u>27,829</u>
Total TANF Cluster			-	27,829
Other Programs				
Instruction				
Department of Labor				
Pass Through				
Conxus NEO-H-1B Job Training Grants	17.268	DOL-ETA HG-3303	-	44,178
Total Department of Labor			-	44,178
National Aeronautics and Space Administration				
Direct				
Aeronautics and Space Act of 1958	43.008	N/A	-	(2,893)
Total National Aeronautics and Space Administration			-	(2,893)

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	Assistance			Total Expenditures
	Listing Number	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	
Other Programs - continued				
Instruction - continued				
Department of Education				
Direct				
Special Education-Personnel Development to Improve Services and Results for Children with Disabilities	84.325K	N/A	\$ -	\$ 203,267
English Language Acquisition Grants	84.365	N/A	32,126	142,584
Pass Through				
COVID-19 Ohio Department of Education-COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210035	-	98,991
Total Department of Education			32,126	444,842
Department of Health and Human Services				
Direct				
Nurse Anesthetist Traineeships	93.124	N/A	-	49,679
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	N/A	-	14,276
Mental and Behavioral Health Education and Training Grant	93.732	N/A	180,758	295,253
Pass Through				
Northeast Ohio Medical Univ. (NEOMED)-Model State-Supported Area Health Education Centers	93.107	U77HP23072	-	195,158
Ohio Department of Job and Family Serviv-Child Welfare Services_State Grants	93.645	N/A	-	11,652
Ohio Department of Job and Family Serviv-Adoption Assistance	93.659	1701OHADPT	-	52,173
Ohio Department of Job and Family Serviv-Social Services Block Grant	93.667	2001OHCWSS	-	101,454
Total Department of Health and Human Services			180,758	719,645
Total Instruction			212,884	1,205,772
Public Service				
National Aeronautics and Space Administration				
Direct				
Aeronautics and Space act 1958	43.008	N/A	-	120
Total Department of National Aeronautics and space			-	120
National Endowment for the Arts				
Pass Through				
State Library of Ohio-Grants to State	45.310	N/A	-	4,999
Total Department of National Endowment for the Arts			-	4,999

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance		Pass-Through to Subrecipient	Total Expenditures
	Listing Number	Pass-through Entity Identifying Number		
Other Programs - continued				
Public Service - continued				
Department of Education				
Direct				
COVID-19 Emergency Financial Aid Grants to Students under the Coronavirus Aid, Relief, and Economic Security (CARES) Act	84.425E	P425E200041	\$ -	\$ 959,040
COVID-19 Education Stabilization Fund -PL 116-136 Title VIII Coronavirus Aid, Relief and Security Act	84.425F	N/A	-	4,117,350
Pass Through				
COVID-19 Ohio Department of Education-COVID-19 To provide state educational agencies (SEAs) and LEAs, including charter schools that are LEAs, with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary	84.425D	N/A	-	210,216
COVID-19 Ohio Department of Higher Education-COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210035	-	73,155
Total Department of Education			-	5,359,761
Department of Health and Human Services				
Direct				
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	N/A	-	42,671
Pass Through				
The Lupus Foundation of America-Chronic Diseases: Research, Control, and Prevention	93.068	NU58DP006	-	2,145
Vanderbilt University Medical Center-Research Related to Deafness and Communication Disorders	93.173	5T35DC008763-15	-	6,459
Summa Health System-Immunization Grants	93.268	N/A	-	1
American College Health Association-Protecting and Improving Health Globally: Building and Strengthening Public Health Impact, Systems, Capacity and Security	93.318	NU50CK000581	-	96
Northeast Ohio Medical Univ. (NEOMED)-Mental and Behavioral Health Education and Training Grants	93.732	6 U3NHP45402-01	-	10,048
Northeast Ohio Medical Univ. (NEOMED)-Geriatric Education Centers	93.969	N/A	-	6,014
Northeast Ohio Medical Univ. (NEOMED)-Geriatric Education Centers	93.969	U1QHP33073-01-0	-	17,980
Total Department of Health and Human Services			-	85,414
Total Public Service			-	5,450,294
Total Other Programs			212,884	6,656,066
Grand Total			\$ 965,830	\$ 94,566,956

The University of Akron

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The University of Akron (The University) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of The University, it is not intended to and does not present the financial position, changes in net position or cash flows of The University.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The University attempts to recover facilities and administrative costs by means of predetermined rates. The predetermined rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined rates are 52% for on-campus research, 35.5% for other on-campus sponsored activities and 26% for off-campus research through June 30, 2023. The University has not elected to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Loans Outstanding

The following schedule represents total loans advanced to students by The University and balances outstanding for the Perkins and Nursing Student Loan Programs for the year ended June 30, 2023:

Cluster/Program Title	Assistance Listing Number	Advances	Outstanding Balances
Perkins Loan Program (net of allowances)	84.038	\$ -	\$ 2,576,519
Nursing Student Loan Program (net of allowances)	93.364	44,080	513,987

Note 4 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University transferred \$162,317 of Federal Work Study (FWS) Program (84.033) award funds to the Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007). The University carried forward and spent \$58,570 of the 2021-2022 SEOG award to the 2022-2023 award year.

In addition, the University carried forward \$83,771 and \$59,803 of the 2022-2023 FWS and SEOG awards, respectively, to the 2023-2024 award year. The University spent \$83,771 of the carried forward FWS funds from the 2021-2022 award year during the 2022-2023 award year.

The University of Akron
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 5 - Reconciliation

The following schedule is a reconciliation of total expenditures as shown on the Schedule to the revenue shown as federal grants and contracts on the Statement of Revenues, Expenses and Changes in Position (the Statement), which is included as part of The University's financial statements:

Expenditures per the Schedule	\$ 94,566,956
Pell grants	(18,376,924)
Federal direct loans	(50,340,599)
Federal Perkins loan program	(5,258,097)
Nursing student loan program	(673,483)
Federal grants passed through state entities	(975,170)
Federal grants passed through local entities	(27,829)
Private grants	(4,486,569)
Federal purchased service contracts	(260,587)
Indirect costs excluded from federal grants on Statement	193,673
Change in deferred revenue from federal grants	<u>(4,454,716)</u>
Federal grants and contracts as shown on the Statement	<u>\$ 9,906,655</u>

Current restricted funds derived from appropriations, gifts or grants may be used only to meet current expenditures for the purposes specifically identified by sponsoring agencies. The appropriations, gifts or grants are recognized as revenue in The University's external financial statements as expended. Therefore, expenditures per the Schedule reconciles with federal grants and contracts revenue on the Statement, except as noted above.

The University of Akron
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None

reported

Noncompliance material to financial statements noted? Yes None

reported

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None

reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
Various	Student Financial Aid Cluster	Unmodified
84.044, 84.047	TRIO Cluster	Unmodified
84.425C, 84.425D, 84.425E, 84.425F	COVID-19 Higher Education Emergency Relief Fund and COVID-19 Governor's Emergency Education Relief Fund	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

The University of Akron
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

Section II - Financial Statement Findings and Responses

Reference Number	Findings
---------------------	----------

Current Year: None

Prior Year:

FINDING 2022-001 – Internal Controls Over Investments

Criteria: The University of Akron Foundation (“Foundation”) is responsible for fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. This includes an effective internal control system over investments and frequent and timely reconciling of account balances to information provided by the bank and custodians.

Condition: Monthly reconciliations over investments and investment activity were not being performed on a monthly basis.

Context: Investment activity was not recorded timely through the year resulting in material entries posted by the Foundation after year end.

Effect: Errors and fraud can go undetected without frequent and timely investment reconciliations.

Cause: An independent monthly review process was not in place at the Foundation.

Repeat Finding: No

Recommendation: We recommend the Foundation implement an independent review process over the completion of timely investment reconciliations and investment activity to ensure the amounts are accurate and supported.

Response: The Foundation staff will implement routine reconciliation of all investment activity at least quarterly throughout the year. If in preparation of quarterly reconciliations, it is determined that monthly reconciliations will be more productive than the routine will become monthly. The Foundation administration recognizes that we are almost six months into the year and reconciliations for the first half of the year are not complete and outstanding.

The University of Akron
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section III – Federal Program Audit Findings and Responses

Reference Number	Findings
Current Year:	
FINDING 2023-001 – Student Financial Aid Awards	
	<p>Federal Program Information: Student Financial Aid: Federal Direct Student Loans, ALN #84.268 Federal Pell Grant Program, ALN #84.063</p> <p>Criteria: 34 CFR 690.63, Calculation of a Federal Pell Grant for a Payment Period and 34 CRF 685.203, Loan Limits</p> <p>Condition: Federal Direct Student Loans were incorrectly awarded to transfer students and students that had credits through the College Credit Plus Program. Federal Pell Grants were incorrectly awarded to students with a change in credits.</p> <p>Context: The following errors were identified during testing of a sample of 25 students:</p> <ul style="list-style-type: none">• Two students had an unsubsidized loan disbursement error due to an incorrect class level utilized in awarding aid. The total under award was \$4,000.• One student was over-awarded an unsubsidized loan instead of being awarded a subsidized loan. The amount of the error was \$5,500.• One student had a Pell disbursement error when the student re-enrolled in a cooperative program with full-time status for the term and the University did not update packing information. This resulted in an under award of \$1,636. <p>Questioned Cost: None due to under awards.</p> <p>Effect: Students were incorrectly awarded student financial aid.</p> <p>Cause: Errors in packaging of the student financial aid resulted in inaccurate awards to students.</p> <p>Repeat Finding: No</p> <p>Recommendation: We recommend implementing procedures that appropriately determines student financial aid to students, specifically those who transfer into The University, have College Credit Plus and adjust their credit hours.</p> <p>Response: The Office of Student Financial Aid will update their procedures to verify the proper aid is packaged and awarded based on the student status.</p>

The University of Akron
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

Section III – Federal Program Audit Findings and Responses - continued

Reference Number	Findings
Current Year - continued:	
FINDING 2023-002 – TRIO Eligibility	
	<p>Federal Program Information: TRIO Cluster: TRIO Talent Search, ALN #84.044 TRIO Upward Bound, ALN #84.047</p> <p>Criteria: Determination of student eligibility associated with TRIO programs should be documented with all documentation retained.</p> <p>Condition: Student TRIO eligibility was not properly documented.</p> <p>Context: The following errors were identified during the testing of Student TRIO eligibility:</p> <ul style="list-style-type: none"> • For the TRIO Upward Bound program, 3 of 13 selections were found to have incomplete documentation of the determination associated with the University Eligibility Determination Certificate intake forms. • For the TRIO Upward Bound program, 4 of 13 selections did not have proper retention of the Eligibility Determination Certificate intake form and student / parent completed applications. • For the TRIO Talent Search program, 2 of 47 selections were found to be students allocated to a waitlist for the program and eventually admitted, but no final documented determination of eligibility into the program was made. • For the TRIO Talent Search program, 1 of 47 selections did not have proper retention of the Eligibility Determination Certificate intake form and student / parent completed applications. <p>Questioned Cost: None</p> <p>Effect: Ineligible students could receive TRIO funding if eligibility is not properly documented and retained.</p> <p>Cause: Documentation was not updated when subsequent documentation or changes were made to participants.</p> <p>Repeat Finding: No</p> <p>Recommendation: We recommend implementing a formalized process for ensuring that appropriate determination of student eligibility for TRIO programs occurs.</p> <p>Response: The Office of Academic Achievement Programs will update their procedures to ensure that all appropriate documentation is maintained when making eligibility determinations for each student.</p>
Prior Year:	None



Corrective Action Plan For the Year Ended June 30, 2023

FINDING 2023-001 – Student Financial Aid Awards

Federal Program Information: Student Financial Aid:
Federal Direct Student Loans, ALN #84.268
Federal Pell Grant Program, ALN #84.063

Criteria: 34 CFR 690.63, Calculation of a Federal Pell Grant for a Payment Period and 34 CRF 685.203, Loan Limits

Condition: Federal Direct Student Loans were incorrectly awarded to transfer students and students that had credits through the College Credit Plus Program. Federal Pell Grants were incorrectly awarded to students with a change in credits.

Context: The following errors were identified during testing of a sample of 25 students:

- Two students had an unsubsidized loan disbursement error due to an incorrect class level utilized in awarding aid. The total under award was \$4,000.
- One student was over-awarded an unsubsidized loan instead of being awarded a subsidized loan. The amount of the error was \$5,500.
- One student had a Pell disbursement error when the student re-enrolled in a cooperative program with full-time status for the term and the University did not update packing information. This resulted in an under award of \$1,636.

Questioned Cost: None due to under awards.

Effect: Students were incorrectly awarded student financial aid.

Cause: Errors in packaging of the student financial aid resulted in inaccurate awards to students.

Repeat Finding: No

Recommendation: We recommend implementing procedures that appropriately determines student financial aid to students, specifically those who transfer into The University, have College Credit Plus and adjust their credit hours.

Response: The Office of Student Financial Aid will update their procedures to verify the proper aid is packaged and awarded based on the student status. This update has already been implemented.

(continued next page)

FINDING 2023-002 – TRIO Eligibility

Federal Program Information: TRIO Cluster:
TRIO Talent Search, ALN #84.044
TRIO Upward Bound, ALN #84.047

Criteria: Determination of student eligibility associated with TRIO programs should be documented with all documentation retained.

Condition: Student TRIO eligibility was not properly documented.

Context: The following errors were identified during the testing of Student TRIO eligibility:

- For the TRIO Upward Bound program, 3 of 13 selections were found to have incomplete documentation of the determination associated with the University Eligibility Determination Certificate intake forms.
- For the TRIO Upward Bound program, 4 of 13 selections did not have proper retention of the Eligibility Determination Certificate intake form and student / parent completed applications.
- For the TRIO Talent Search program, 2 of 47 selections were found to be students allocated to a waitlist for the program and eventually admitted, but no final documented determination of eligibility into the program was made.
- For the TRIO Talent Search program, 1 of 47 selections did not have proper retention of the Eligibility Determination Certificate intake form and student / parent completed applications.

Questioned Cost: None

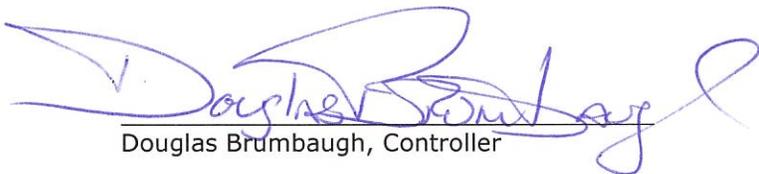
Effect: Ineligible students could receive TRIO funding if eligibility is not properly documented and retained.

Cause: Documentation was not updated when subsequent documentation or changes were made to participants.

Repeat Finding: No

Recommendation: We recommend implementing a formalized process for ensuring that appropriate determination of student eligibility for TRIO programs occurs.

Response: The Office of Academic Achievement Programs will update their procedures to ensure that all appropriate documentation is maintained when making eligibility determinations for each student. This update has already been implemented.



Douglas Brumbaugh, Controller



Brett Riebau, Director, Financial Reporting

OHIO AUDITOR OF STATE KEITH FABER



UNIVERSITY OF AKRON

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/13/2024

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

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