

UNIVERSITY OF AKRON
SUMMIT COUNTY
REGULAR AND SINGLE AUDIT
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

OHIO AUDITOR OF STATE
KEITH FABER



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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, 2020 through June 30, 2021. 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

December 16, 2021

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(A component unit of the State of Ohio)

Financial Report

With Supplemental Information

June 30, 2021

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The University of Akron

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The University of Akron

Management's Discussion and Analysis (Unaudited)

June 30, 2021

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, 2021. 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, 2019, 2020, and 2021, the State provided approximately \$108 million, \$110 million, and \$101 million, respectively, for operating and capital purposes while The University's operating losses were approximately \$130 million, \$168 million, and \$91 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 Comprehensive Annual 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, 2021

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>2019</u>	<u>2020</u>	<u>2021</u>
Assets:			
Current assets	\$ 221.8	\$ 202.7	\$ 259.1
Noncurrent assets:			
Capital	689.3	670.7	634.2
Other	<u>106.8</u>	<u>99.3</u>	<u>116.3</u>
Total assets	1,017.9	972.7	1,009.6
Deferred outflow of resources	111.0	90.3	71.2
Liabilities:			
Current liabilities	76.1	68.4	76.8
Noncurrent liabilities	<u>794.6</u>	<u>745.6</u>	<u>647.5</u>
Total liabilities	870.7	814.0	724.3
Deferred inflow of resources	98.6	99.6	93.2
Net position:			
Net investment in capital assets	292.1	290.0	269.3
Restricted:			
Nonexpendable	28.1	27.2	28.4
Expendable	76.1	72.9	88.6
Unrestricted	<u>(236.7)</u>	<u>(240.7)</u>	<u>(123.0)</u>
Total net position	<u>\$ 159.6</u>	<u>\$ 149.4</u>	<u>\$ 263.3</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. For 2020, current assets decreased by \$19.1 million. There were variations among many of the current asset categories, but the principal causes of the change in 2020 were from a decrease in pooled investments of \$14.6 million and a decrease in accounts receivable of \$3.3 million. For 2021, current assets increased \$56.4 million. The principal causes of the change in 2021 were from an increase in pooled investments of \$26.4 million and a \$29.1 million increase in accounts receivable, which consisted of COVID grant funding billed but not yet received.

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 \$26.1 million and \$19.5 million for 2020 and 2021, respectively. The changes in 2020 were largely due to a decrease in capitalization of equipment. The changes in 2021 were due to a decrease in capitalization of equipment of \$36.6 million offset by an increase to endowment investments of \$17.8 million.

Deferred outflows of resources is defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources has a positive effect on net position similar to 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 \$20.7 million and \$19.1 million in 2020 and 2021, respectively. The changes for 2020 and 2021 were primarily attributed to future pension and OPEB expense.

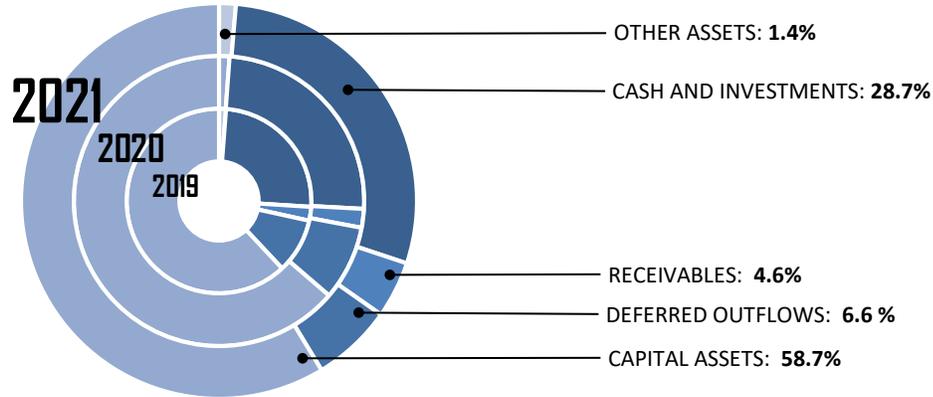
The University of Akron

Management's Discussion and Analysis (Unaudited)

June 30, 2021

Assets and deferred outflows of resources (continued)

Following is the composition of assets and deferred outflows for each year (with 2021 percentages):



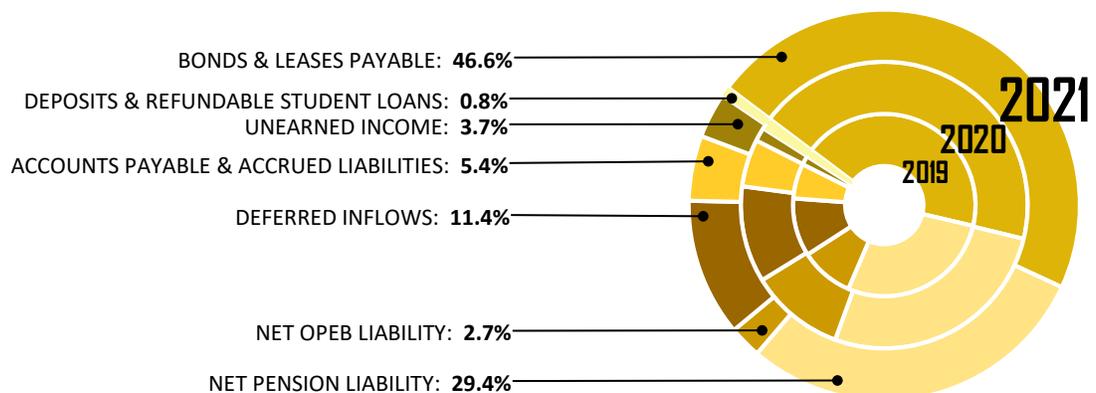
Liabilities and deferred inflows of resources

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 \$7.7 million for 2020 and increased \$8.4 million for 2021. For 2020, cost saving measures subsequently implemented due to COVID-19 were the primary cause of reduced expenses that led to a \$7.9 million reduction in year-end accounts payable and accrued liabilities. The current portion of long-term liabilities increased by \$3.6 million during 2020 in anticipation of the \$4.1 million payment due in fiscal year 2021 for the Voluntary Separation and Retirement Program and the Individual Retirement Incentive Program. The largest changes in 2021 were an increase in unearned income of \$16.4 million of COVID grants to be recognized as revenue in 2022 and a decrease in the current portion of long-term liabilities of \$8.6 million.

Noncurrent liabilities consist of refundable federal student loans, net pension liability, net other postemployment benefit liabilities, and long-term debt including capital leases and the sick leave. For 2020 and 2021, noncurrent liabilities decreased by \$49.0 and \$98.1 million, respectively. For 2020, \$17.1 million was attributable to payment of bond principal and the net pension and net OPEB liability was reduced by a total of \$25.1 million due to changes in the State of Ohio actuarial assumptions. For 2021, \$14.0 million was attributable to payment of bonds principal and OPEB liability decreased by \$75.8 million of which \$49.1 million was due to the termination of all benefits under The University retiree life insurance and dependent healthcare plan.

Deferred inflows of resources is the acquisition of net assets applicable to a future reporting period. Deferred inflows of resources has a negative effect on net position similar to liabilities. Deferred inflows of resources increased \$1.0 and decreased \$6.4 million in 2020 and 2021, respectively. The majority of the change in 2020 and 2021 related to pensions and OPEB.

Following is the composition of liabilities and deferred inflows for each year (with 2021 percentages):



The University of Akron
Management's Discussion and Analysis (Unaudited)
June 30, 2021

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 2020, net position decreased 6.4% or \$10.2 million. This was due to a decline of operating revenues, specifically tuition and auxiliary revenue, not being fully offset by decrease in operating expenses. For 2021, net position increased 76.2% or \$113.9 million. Pension and OPEB income of \$71.9 million, due to changes in the State of Ohio actuarial assumptions and the elimination of The University retiree life insurance and dependent healthcare plan, an unrealized gain on investments of \$24.0 million and \$9.3 million recovery of lost revenue from the COVID grants all contributed to the 2021 increase in net position.

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):

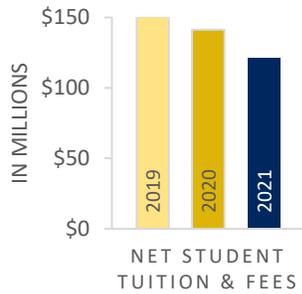
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Operating revenues:			
Tuition and fees (net)	\$ 150.8	\$ 141.4	\$ 121.3
Grants and contracts	27.2	21.0	20.5
Sales and services	6.1	5.1	4.3
Auxiliary enterprises	35.0	24.4	16.6
Other operating revenues	2.1	2.6	2.5
Total operating revenues	<u>221.2</u>	<u>194.5</u>	<u>165.2</u>
Operating expenses:			
Educational and general:			
Instruction and departmental research	141.7	129.0	99.2
Other educational and general	151.1	152.3	151.6
Auxiliary enterprises	48.2	41.4	29.9
Pension and OPEB revenue	(35.8)	(2.6)	(71.8)
Depreciation	46.4	42.7	47.1
Total operating expenses	<u>351.6</u>	<u>362.8</u>	<u>256.0</u>
Operating loss	(130.4)	(168.3)	(90.8)
Nonoperating revenues (expenses):			
State appropriations	102.0	95.3	95.0
Federal grants	24.5	34.7	55.7
Gifts and distributions	27.2	18.9	18.1
Other nonoperating (net)	(8.0)	(10.1)	22.6
Net nonoperating revenues	<u>145.7</u>	<u>138.8</u>	<u>191.4</u>
Gain (loss) before other changes	15.3	(29.5)	100.6
Other changes:			
Capital appropriations	6.1	14.2	6.1
Other changes (net)	3.0	3.5	7.2
Total other changes	<u>9.1</u>	<u>17.7</u>	<u>13.3</u>
Increase (decrease) in net position	24.4	(11.8)	113.9
Net position:			
Net position - beginning of year	135.2	159.6	149.4
Change in accounting principle	-	1.6	-
Net position - as restated	<u>135.2</u>	<u>161.2</u>	<u>149.4</u>
Net position - end of year	<u>\$ 159.6</u>	<u>\$ 149.4</u>	<u>\$ 263.3</u>

The University of Akron

Management's Discussion and Analysis (Unaudited)

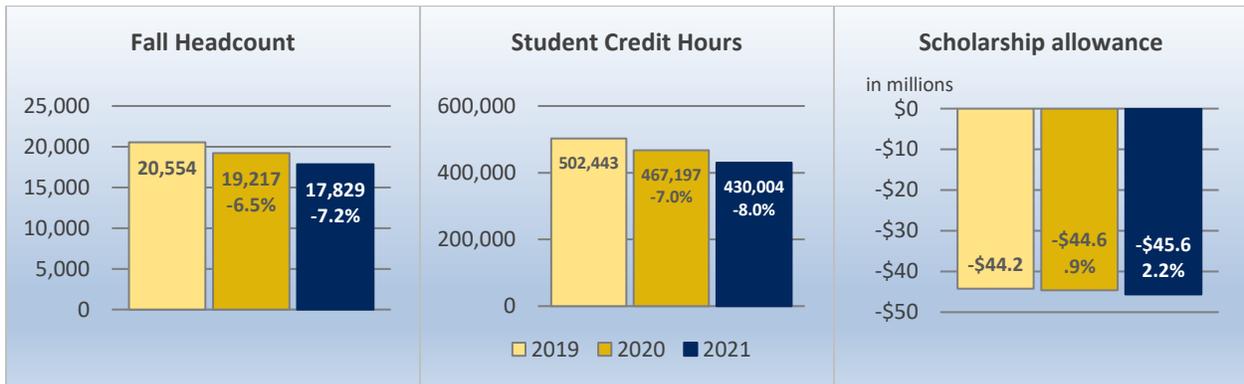
June 30, 2021

Operating revenues



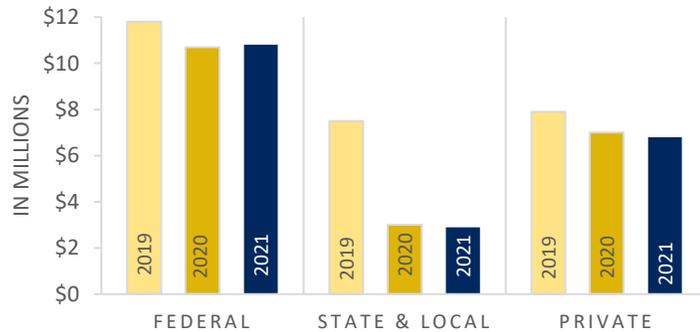
Student tuition and fees include all tuition and fees assessed for educational purposes, net of refunds and recognized discounts. Beginning in the fall 2018, new baccalaureate degree seeking students to The University participate in the Tuition Guarantee Program which provides fixed tuition, select fees, 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 6.2% in 2020 and 14.2% in 2021. 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 Department of Institutional Research and The University of Akron 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	2019	2020	2021
National Science Foundation	\$ 5.1	\$ 4.5	\$ 3.9
Department of Defense	-	-	-
Department of Education	3.8	3.2	3.8
Department of Health and Human Services	0.9	1.3	1.8
National Aeronautics and Space Administration	0.1	-	0.1
Other agencies	1.9	1.7	1.2
Total federal revenues	\$ 11.8	\$ 10.7	\$ 10.8

The University of Akron

Management's Discussion and Analysis (Unaudited)

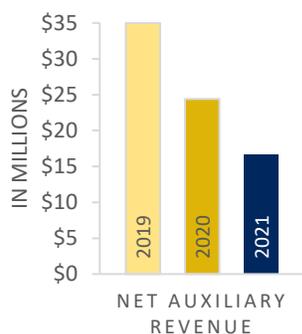
June 30, 2021

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 2020 the most significant of these operations was the New Student Orientation Program, CBA Executive Education and UA Business Solutions, which generated sales totaling \$0.4, \$0.4 and \$0.3 million, respectively. During 2021 the most significant of these operations was the New Student Orientation Program, the Center for Fire and Hazmat and the Law Enforcement Training Center, which generated sales totaling \$0.4, \$0.3 and \$0.3 million, respectively.



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. In 2020, \$5.0 million was refunded to students for certain fees and University room and board when the campus was closed and all classes were continued remotely in March 2020 due to COVID-19. This lost revenue was recovered by funds from the CARES Act and those resources are included in nonoperating Federal grant revenue.



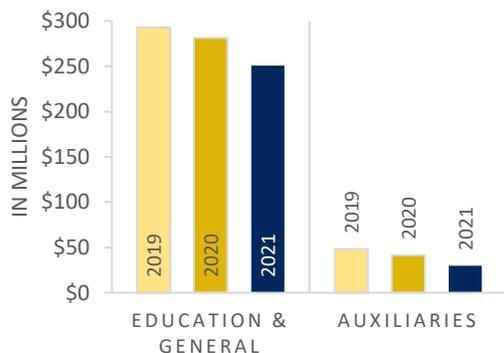
The University's auxiliary services include the residence halls, student unions, intercollegiate athletics and athletic facilities, parking services, E.J. Thomas Performing Arts Hall, and dining. The predominant revenues within this area are (in millions):

<u>Auxiliary</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Residence halls	\$ 19.0	\$ 14.5	\$ 11.6
Athletics	8.6	5.8	3.5
Dining	4.1	0.9	1.4
Parking and transportation services	6.8	5.2	4.3
Other auxiliaries	3.7	3.3	1.0
Scholarship allowance	(7.2)	(5.3)	(5.3)
Total net auxiliary revenue	\$ 35.0	\$ 24.4	\$ 16.5

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. During 2020, these expenses decreased 3.9% due to continued cost saving measures as well as reduced expenses after the pandemic began in March 2020. All functional categories were reduced except for Institutional support from an increase in healthcare costs and Scholarships and fellowships that includes \$7.1 million provided to students for aid as prescribed by the CARES Act. In 2021, these expenses decreased by 10.8% due to eliminations of



positions and decreased expenses during COVID-19. All functional categories were reduced except for Public Service that included COVID-19 supplies and equipment and Scholarship and fellowships which increased by \$.5 million and included \$7.1 million provided to students by the CARES Act.

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 decreased 14.2% and 27.7% during 2020 and 2021, respectively.

The University of Akron

Management's Discussion and Analysis (Unaudited)

June 30, 2021

Operating expenses (continued)

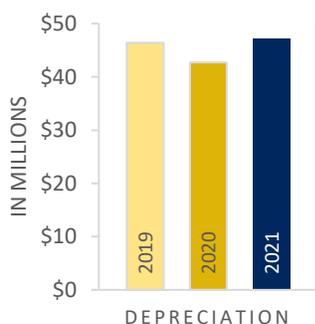
Another way to review expenses is according to the type of costs that are incurred, or their *natural* classification. These classifications tell what was purchased rather than why an expense was incurred.

Salaries and wages include expenses for amounts paid and owed to faculty, staff, and student employees including full-time and part-time employees. These expenses decreased .5% and 15.3% during 2020 and 2021, respectively, due to a decline in the total number of employees which was offset by any contractual wage increases.



Employee benefits include expenses for all benefits 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. During 2020 these expenses increased \$29.1 million. During 2021 these expenses decreased by \$79.1 million. Changes in actuarial assumptions to the pension and OPEB plans attributed to \$35.6 million of the increase in 2020. Changes in actuarial assumptions to the pension and OPEB plans attributed to \$24.0 million of the decrease in 2021 as well as a \$48.3 million decrease due to the termination of the UA OPEB Plan. Pension and OPEB calculations were made according to GASB 68 and 75, respectively.

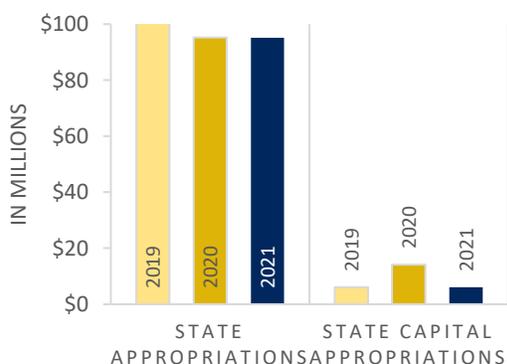
Other operating expenses include items such as supplies, utilities, scholarships and fellowships, travel and other contractual services. These expenses decreased 12.4% and 6.3% during 2020 and 2021, respectively due to decreased expenses during the pandemic in supplies and services and travel.



Generally, *depreciation* expense is predictable from year to year, taking into account 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 expense decreased \$3.7 million during 2020, due to changing levels of capital asset purchases and losses from the disposal of obsolete capital assets. Depreciation expense increased \$4.4 million during 2021 due to a \$6.1 million impairment expense to reduce Quaker Square book value to the current appraisal value.

Nonoperating revenues and expenses



State appropriations represent the most significant nonoperating revenue source for The University. State appropriations funding decreased \$6.7 million and \$0.2 million in 2020 and 2021, respectively.

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.

The University of Akron

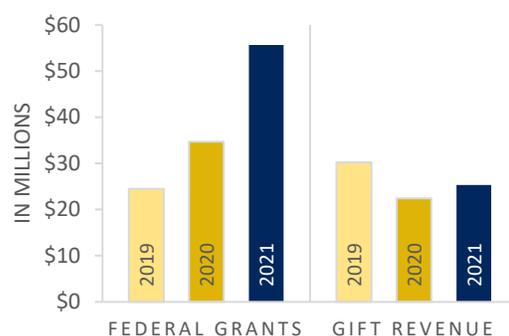
Management's Discussion and Analysis (Unaudited)

June 30, 2021

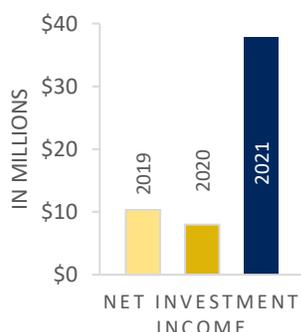
Nonoperating revenues and expenses (continued)

The University records Pell grant awards as nonoperating *federal grant* revenue. Federal grant revenue increased 41.8% and 60.4% during 2020 and 2021, respectively. The increase was due to \$13.2 million and \$35.5 million recognized from COVID-19 relief funds in 2020 and 2021, 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 decreased by \$7.8 million and increased by \$2.9 million during 2020 and 2021, respectively.



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 \$2.3 million during 2020 and increased \$29.8 million during 2021. The changes were due to overall fluctuations in returns on all investments and the balances invested.

GASB requires investments be reported at fair value for financial statement reporting purposes. Included in the change in net investment income was a net increase of \$4.4 million and \$24.0 million in 2020 and 2021, respectively, 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 capital leases less capitalized interest. Interest expense decreased \$1.1 million to \$17.4 million in 2020 and decreased \$1.9 million to \$15.5 million in 2021.

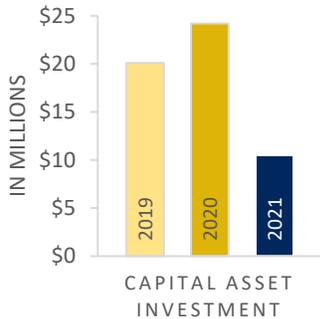


The University of Akron

Management's Discussion and Analysis (Unaudited)

June 30, 2021

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 2020, a number of projects were completed including an upgrade of IT network and cabling, an addition to the College of Business Administration, West Campus Parking Deck repairs, and lab renovations in the Goodyear Polymer and Auburn Science and Engineering Center buildings. During 2021, renovations to the Buckingham Building and Bierce Library were completed as well as a roof replacement and air handler on Whitby Hall. 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 \$370.5 million, \$367.8 million, and \$352.7 million in 2019, 2020, and 2021, respectively. During 2020, The University issued bond series 2020A to refinance the remaining portion 2012A and issued bond series 2019 A & B to refinance the remaining portion of 2010A and 2011. The University's bond rating given by Moody's Investors Service in August 2020 was unchanged and remains at A1 while the outlook changed from stable to negative. Fitch Ratings, Inc. was unchanged as of October 2020 and remains at A+ while the outlook changed from stable to 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 2020 and 2021, those revenue sources alone represented \$236.7 million and \$216.4 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 \$128.0 million and \$145.1 million in 2020 and 2021, respectively.

The COVID-19 pandemic has impacted many areas of The University. The University is continuously working on plans to offset the loss of revenue during this time by utilization of Federal grants provided to The University under the CARES Act and decreasing expenses for supplies and services and travel. The University continues to budget to align its revenues with expenditures to offset additional enrollment declines. Items impacting 2022 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 Financial Statements

We have audited the accompanying financial statements of the business-type activities and 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University of Akron as of June 30, 2021 and 2020, 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.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedules of the University's Proportionate Share of the Net Pension Liability and Net OPEB Liability, the Schedules of the University's Pension and OPEB Contributions, and Schedule of Changes in the University's Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, 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 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
October 22, 2021

The University of Akron

Statements of Net Position

June 30, 2021 and 2020

ASSETS	The University of Akron		Component Units	
	2021	2020	2021	2020
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,999,863	\$ 12,718,443	\$ 4,521,980	\$ 3,068,673
Pooled investments	199,348,856	172,912,570	7,336,110	7,309,495
Accounts receivable, net	42,080,259	12,947,418	3,795,778	1,516,401
Pledges receivable, net	893,862	913,101	2,133,317	1,141,127
Notes receivable, net	948,910	1,087,660	-	-
Accrued interest receivable	393,820	539,379	-	-
Inventories	551,536	582,975	-	-
Prepaid expenses	921,412	1,000,405	183,014	201,085
Total current assets	259,138,518	202,701,951	17,970,199	13,236,781
Noncurrent assets:				
Restricted cash and cash equivalents	503,193	474,357	-	-
Restricted investments	3,730,340	4,884,300	973,814	858,819
Endowment investments	85,416,686	67,666,673	235,427,593	191,663,906
Investments held in trust by others	7,597,043	8,155,366	-	-
Pledges receivable, net	1,707,074	1,991,744	7,960,014	9,841,089
Notes receivable, net	4,052,304	5,141,921	230,000	300,000
Capital assets, net	634,146,252	670,749,826	4,294,757	4,584,774
Net OPEB Asset	13,296,632	10,958,000	-	-
Total assets	1,009,588,042	972,724,138	266,856,377	220,485,369
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refundings	27,563,320	30,020,860	-	-
Deferred outflows related to pensions	35,096,585	47,380,280	-	-
Deferred outflows related to OPEB	8,541,211	12,852,299	-	-
Total deferred outflow of resources	71,201,116	90,253,439	-	-
LIABILITIES				
Current liabilities:				
Accounts payable	3,600,133	2,509,155	1,800,755	3,669,364
Accrued liabilities	19,131,007	18,530,425	667,553	1,069,189
Accrued interest payable	7,597,042	8,155,077	-	-
Unearned income	30,556,350	14,190,492	134,616	694,410
Deposits	-	511,193	5,000	5,000
Current portion of long-term liabilities	15,928,446	24,502,657	98,952	70,134
Total current liabilities	76,812,978	68,398,999	2,706,876	5,508,097
Noncurrent liabilities:				
Refundable federal student loans	6,477,962	8,551,429	-	-
Actuarial liability for annuity/unitrust agreements	-	-	11,130,271	10,681,700
Net pension liability	240,203,037	245,420,214	-	-
Net OPEB liability	21,891,680	97,664,939	-	-
Long-term liabilities	378,925,248	393,900,732	2,181,690	2,205,340
Total liabilities	724,310,905	813,936,313	16,018,837	18,395,137
DEFERRED INFLOW OF RESOURCES				
Deferred inflows related to pensions	39,679,150	53,636,265	-	-
Deferred inflows related to OPEB	48,212,413	39,375,132	-	-
Other deferred inflows	5,275,703	6,605,463	-	-
Total deferred inflow of resources	93,167,266	99,616,860	-	-
NET POSITION				
Net investment in capital assets	269,266,751	290,028,113	2,014,115	2,379,434
Restricted:				
Nonexpendable:				
Endowment	28,396,762	27,171,606	232,773,504	186,485,881
Expendable:				
Research and gifts	42,894,764	40,911,072	-	-
Loans	926,254	891,453	-	-
Endowment	43,679,816	28,648,183	8,639,729	7,210,850
Capital projects	914,700	1,594,974	-	-
Debt service	241,834	827,129	-	-
Unrestricted (deficit)	(123,009,894)	(240,648,126)	7,410,192	6,014,067
Total net position	\$ 263,310,987	\$ 149,424,404	\$ 250,837,540	\$ 202,090,232

See accompanying notes to financial statements

The University of Akron
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

REVENUES	The University of Akron		Component Units	
	2021	2020	2021	2020
Operating revenues:				
Student tuition and fees	\$ 166,912,988	\$ 186,005,158	\$ -	\$ -
Scholarship allowance	(45,614,799)	(44,568,435)	-	-
Net student tuition and fees	121,298,189	141,436,723	-	-
Federal grants and contracts	10,815,231	10,741,120	-	-
State grants and contracts	2,867,234	3,001,625	-	-
Local grants and contracts	167,063	167,598	-	-
Private grants and contracts	6,696,304	7,078,559	728,074	1,848,390
Gifts and contributions	-	-	12,007,159	9,846,560
Sales and services	4,276,657	5,075,656	-	-
Auxiliary enterprises	21,834,004	29,748,879	-	-
Scholarship allowance	(5,278,659)	(5,323,355)	-	-
Net auxiliary enterprises	16,555,345	24,425,524	-	-
Other sources	2,513,494	2,565,680	1,828,182	1,774,460
Total operating revenues	165,189,517	194,492,485	14,563,415	13,469,410
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	99,228,880	129,039,388	-	-
Separately budgeted research	12,889,974	15,393,030	318,254	2,280,230
Public service	12,576,985	5,285,704	-	-
Academic support	26,641,964	28,827,943	-	-
Student services	11,692,859	13,180,143	-	-
Institutional support	39,622,816	41,294,236	1,019,529	1,135,245
Operation and maintenance of plant	18,043,573	18,585,223	-	-
Scholarships and fellowships	30,177,139	29,718,690	-	-
Auxiliary enterprises	29,943,932	41,411,385	-	-
Pension revenue	(6,890,597)	(1,477,673)	-	-
OPEB revenue	(16,702,968)	(1,188,689)	-	-
OPEB (revenue) expense UA plan	(48,260,554)	76,474	-	-
Depreciation	47,073,126	42,690,963	373,741	415,719
Total operating expenses	256,037,129	362,836,817	1,711,524	3,831,194
Operating (loss) income	(90,847,612)	(168,344,332)	12,851,891	9,638,216
NONOPERATING REVENUES (EXPENSES)				
State appropriations	95,062,309	95,255,864	-	-
Federal grants	55,678,063	34,718,829	-	-
Gifts	3,766,014	6,724,219	-	-
Investment income, net	37,746,913	7,975,938	50,475,509	(1,842,539)
Interest on debt	(15,513,092)	(17,426,456)	(47,637)	(127,802)
Distributions to The University	14,337,284	12,201,979	(14,337,284)	(12,201,979)
Distributions on behalf of The University	-	-	(399,845)	(620,985)
Other nonoperating (expenses) revenues	363,985	(647,767)	204,674	240,956
Net nonoperating revenues (expenses)	191,441,476	138,802,606	35,895,417	(14,552,349)
(Loss) income before other changes	100,593,864	(29,541,726)	48,747,308	(4,914,133)
OTHER CHANGES				
State capital appropriations	6,088,037	14,246,672	-	-
Capital gifts and grants	5,805,702	3,473,077	-	-
Additions (reductions) to permanent endowments	1,398,980	40,823	-	(529,000)
Total other changes	13,292,719	17,760,572	-	(529,000)
(Decrease) increase in net position	113,886,583	(11,781,154)	48,747,308	(5,443,133)
NET POSITION				
Net position - beginning of year	149,424,404	159,614,971	202,090,232	207,533,365
Adjustment for change in accounting principle	-	1,590,587	-	-
Net position - as restated	149,424,404	161,205,558	202,090,232	207,533,365
Net position - end of year	<u>\$ 263,310,987</u>	<u>\$ 149,424,404</u>	<u>\$ 250,837,540</u>	<u>\$ 202,090,232</u>

The University of Akron
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 120,733,325	\$ 140,960,563
Grants and contracts	16,760,514	22,012,811
Auxiliary enterprises	16,808,281	24,397,552
Sales and service of educational activities	4,276,657	5,075,656
Payments to suppliers	(54,778,892)	(69,759,982)
Payments for compensation and benefits	(197,804,902)	(230,280,489)
Payments for scholarships and fellowships	(30,446,240)	(29,968,445)
Loans issued to students	(67,373)	(65,058)
Collection of loans to students	145,729	182,091
Other receipts	951,815	1,239,642
	<hr/>	<hr/>
Net cash used in operating activities	(123,421,086)	(136,205,659)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	95,062,309	95,255,864
Gifts, grants, and contracts for other than capital purposes	62,582,588	54,390,829
Private gifts for endowment purposes	957,947	40,823
Collection of loans to students for Perkins Program	1,150,010	1,120,592
Other (payments) receipts	363,985	(647,767)
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	160,116,839	150,160,341
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	-	576,423
Capital appropriations	6,088,037	14,246,672
Capital grants and gifts received	6,349,605	3,797,542
Purchases of capital assets	(10,998,497)	(23,531,617)
Principal paid on capital debt and leases	(15,358,384)	(15,735,960)
Interest paid on capital debt and leases	(15,705,667)	(17,119,346)
	<hr/>	<hr/>
Net cash used in capital financing activities	(29,624,906)	(37,766,286)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	152,751,105	198,480,952
Interest on investments	13,638,858	3,407,580
Purchase of investments	(172,150,554)	(180,395,394)
	<hr/>	<hr/>
Net cash provided by investing activities	(5,760,591)	21,493,138
Net (decrease) increase in cash and cash equivalents	1,310,256	(2,318,466)
Cash and cash equivalents, restricted cash and cash equivalents - beginning of the year	<hr/>	<hr/>
	13,192,800	15,511,266
Cash and cash equivalents, restricted cash and cash equivalents - end of the year	<hr/>	<hr/>
	\$ 14,503,056	\$ 13,192,800
NONCASH TRANSACTIONS		
Proceeds from capital debt paid directly by bank included in Note 6	-	93,719,656
Repayment of capital debt paid directly by bank included in Note 6	-	(93,175,000)

(continued)

The University of Akron
 Statements of Cash Flows
 For the Years Ended June 30, 2021 and 2020

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (90,847,612)	\$ (168,344,332)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	47,073,126	42,690,963
Changes in assets, and liabilities, and deferred inflows/outflows:		
Accounts receivable, net	(298,708)	2,143,291
Notes receivable, net	78,356	117,034
Inventories	31,439	(9,376)
Prepaid expenses	78,994	865,934
Net OPEB asset	(2,338,632)	670,000
Accounts payable	1,066,853	(2,798,801)
Accrued liabilities	(5,098,247)	(4,201,347)
Unearned income	(1,434,260)	(899,686)
Deposits held for others	(511,192)	(76,058)
Sick leave liability	367,751	(979,144)
Net pension liability	(5,217,177)	(20,656,265)
Net OPEB liability	(75,773,259)	(4,398,098)
Deferred inflows / outflows relating to pension	(1,673,420)	19,178,592
Deferred inflows / outflows relating to OPEB	13,148,369	1,776,648
Refundable federal student loans	(2,073,467)	(1,285,014)
	\$ (123,421,086)	\$ (136,205,659)
Net cash used in operating activities	\$ (123,421,086)	\$ (136,205,659)

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

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 Comprehensive Annual 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 Comprehensive Annual 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 provides assistance to 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, 2021 and 2020

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 as operating revenue grants classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses, and depreciation on capital 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. With the exception of 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.

Inventories

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

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

1. Summary of Significant Accounting and Reporting Policies – continued

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 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.

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

Capitalization of Interest

The University capitalizes interest on construction projects until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. Capitalization of interest cost of the borrowings is reduced by interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

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. 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.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

1. Summary of Significant Accounting and Reporting Policies – continued

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.

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 allowed 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.

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 of 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, 2021 and 2020

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

During the current fiscal year The University adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the following activities were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within the financial statements as business type activities: student groups funded by The University and corporate funds administered by The University for seminars and other activities. The following activities were previously reported as fiduciary activities but no longer meet the definition as such and, therefore, are no longer reported with these statements: student and outside groups funded and ran directly by the organization.

The effect of this new standard on fund balance/net position was as follows:

Net position reported as of July 1, 2019	\$159,614,971
Change in accounting principle, GASB Statement No. 84	<u>1,590,587</u>
Beginning net position as restated as of July 1, 2019	<u>\$161,205,558</u>

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

1. Summary of Significant Accounting and Reporting Policies – continued

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentations. During the plan year ended December 31, 2020, all benefits under The University retiree life insurance and dependent healthcare plan (UA Plan) were terminated. (See Note 8 for additional information.) The total change in operating expenses for this plan has been removed from the functional expenses and is shown separately in operating expenses on the Statements of Revenues, Expenses, and Changes in Net Position. These reclassifications had no effect on the change in net position or total net position.

Accounting Standards

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The effect of applying the new lease guidance on the basic financial statements has not yet been determined. The provisions of this statement, originally effective for The University's basic financial statements for the year ending June 30, 2021, were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of the capital asset reported in The University's basic financial statements. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement, originally effective for The University's basic financial statements for the year ending June 30, 2021, were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

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 University is currently evaluating the impact this standard will have on the basic financial statements when adopted. 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*.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

1. Summary of Significant Accounting and Reporting Policies – continued

Accounting Standards - continued

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addressed unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The University does not believe this pronouncement will have a significant impact on its financial statements but is making a full evaluation.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. With the London Interbank Offered Rate (LIBOR) expecting to cease existence in its current form at the end of 2021, this statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) in hedging and derivative instruments and leases. The University is currently evaluating the impact this standard will have on the basic financial statements when adopted. The removal of LIBOR as an appropriate benchmark interest rate for a hedging derivative instrument is effective for The University's basic financial statements for the June 30, 2022 fiscal year. All other requirements of the statement are effective for The University's basic financial statements for the June 30, 2021 fiscal year. Lease modification requirements are effective one year later.

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 University is currently evaluating the impact this standard will have on the basic financial statements when adopted. The provisions of this statement are effective for The University's basic financial statements for fiscal year ending June 30, 2023.

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 University is currently evaluating the impact this standard will have on the basic financial statements when adopted. The provisions of this statement are effective for The University's basic financial statements for fiscal year ending June 30, 2023.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The University is currently evaluating the impact this standard will have on the basic financial statements when adopted. The provisions of this statement related to 457 plans are effective for The University's basic financial statements for the year ending June 30, 2022.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

2. Cash and Investments

Cash

At June 30, 2021 and 2020, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were \$14,503,056 and \$13,192,800, respectively, as compared to bank balances of \$16,027,960 and \$15,172,017, respectively. The differences between carrying amounts and bank balances were caused by items in transit. Of the June 30, 2021 and 2020 bank balances, \$15,360,372 and \$14,145,502, 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, at June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Pooled investments:		
Money Market	\$ 1,734,063	\$ 1,711,813
U.S. agencies	24,308,993	23,064,553
U.S. Treasury	43,744,909	31,924,272
U.S. and corporate bonds	15,661,382	13,208,364
Corporate notes	29,681,443	37,099,427
Equities	47,951,998	36,972,719
Investments equity	51,005	-
Negotiable certificates of deposit	2,718,875	7,708,163
Mutual funds - alternative investments	13,440,428	8,940,894
PFM: Prime/Government Series	<u>20,055,760</u>	<u>12,282,365</u>
Total pooled investments	199,348,856	172,912,570
Endowment investments:		
Marketable securities:		
Money Market	1,166,011	746,482
Money Market Mutual Funds	2,711,767	1,780,438
U.S. Treasury	3,812,574	754,574
Equities	10,952,938	10,395,100
Investments equity	40,846,698	26,427,402
Managed Fixed Income	-	4,264,361
Real estate	157,079	-
Hedge funds - alternative investments	<u>25,769,619</u>	<u>23,298,316</u>
Total endowment investments	85,416,686	67,666,673
Investments held in trust by others:		
Money Market	624,406	670,864
U.S. Treasury	<u>6,972,637</u>	<u>7,484,502</u>
Total investments held in trust by others	7,597,043	8,155,366
Restricted investments:		
U.S. Treasury	<u>3,730,340</u>	<u>4,884,300</u>
Total restricted investments	<u>3,730,340</u>	<u>4,884,300</u>
Total investments	<u>\$ 296,092,925</u>	<u>\$ 253,618,909</u>

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

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. At June 30, 2021 and 2020, 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. At June 30, 2021 and 2020, 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 at June 30, 2021 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	\$ 20,055,760	\$ -	\$ -	\$ -	\$ 20,055,760
U.S. agencies	AAA	-	15,241,446	4,542,516	4,525,031	24,308,993
U.S. Treasury	AA	4,783,634	33,453,150	10,086,852	9,936,824	58,260,460
Negotiable CDs	A	-	2,718,875	-	-	2,718,875
Corporate notes	AAA	-	2,428,035	440,732	-	2,868,767
	AA	-	4,442,976	453,338	797,465	5,693,779
	A	426,558	15,909,506	2,746,130	2,036,702	21,118,896
Total corporate notes		426,558	22,780,517	3,640,200	2,834,167	29,681,442
U.S. and corporate bonds	AAA	4,568,212	-	-	-	4,568,212
	AA	339,112	-	-	-	339,112
	A	1,222,504	-	-	-	1,222,504
	BBB	2,780,460	-	-	-	2,780,460
	BB	1,362,416	-	-	-	1,362,416
	B	1,751,097	-	-	-	1,751,097
	Below B	488,802	-	-	-	488,802
Total U.S. and corporate bonds		12,512,603	-	-	-	12,512,603
Totals		\$ 37,778,555	\$ 74,193,988	\$ 18,269,568	\$ 17,296,022	\$ 147,538,133

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

2. Cash and Investments - continued

Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2020 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	\$ 12,282,365	\$ -	\$ -	\$ -	\$ 12,282,365
U.S. agencies	AAA	3,396	11,654,666	5,535,288	5,871,203	23,064,553
U.S. Treasury	AA	5,326,010	29,667,409	7,460,834	2,593,396	45,047,649
Negotiable CDs	A	5,482,763	2,225,400	-	-	7,708,163
Corporate notes	AAA	1,114,239	577,699	305,606	529,709	2,527,253
	AA	516,725	9,075,636	1,010,927	811,770	11,415,058
	A	4,161,415	16,164,273	904,479	1,926,949	23,157,116
Total corporate notes		5,792,379	25,817,608	2,221,012	3,268,428	37,099,427
U.S. and corporate bonds	AAA	4,348,038	-	-	-	4,348,038
	AA	367,918	-	-	-	367,918
	A	1,294,740	-	-	-	1,294,740
	BBB	2,541,492	-	-	-	2,541,492
	BB	902,405	-	-	-	902,405
	B	997,327	-	-	-	997,327
	Below B	315,934	-	-	-	315,934
Total U.S. and corporate bonds		10,767,854	-	-	-	10,767,854
Totals		\$ 39,654,767	\$ 69,365,083	\$ 15,217,134	\$ 11,733,027	\$ 135,970,011

Unrated investments are not included in the tables above. Of the total unrated investments of \$148,554,792 and \$117,648,898, \$3,148,780 and \$2,440,510 are U.S. and corporate bonds, for years ending June 30, 2021 and 2020, 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, 2021 and 2020 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, 2021 and 2020

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, 2021:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2021	Fair Value Measurements Using			Investments valued using Net Asset Value (NAV) per share
		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	\$ 24,308,993	\$ -	\$ 24,308,993	\$ -	\$ -
U.S. Treasury	51,287,823	51,287,823	-	-	-
U.S. and corporate bonds	15,661,382	15,661,382	-	-	-
Money market mutual funds	2,711,767	2,711,767	-	-	-
Corporate notes	29,681,443	-	29,681,443	-	-
Equities	58,904,936	58,904,936	-	-	-
Equity funds	40,897,703	51,005	-	-	40,846,698
Hedge funds	25,769,619	-	-	-	25,769,619
Negotiable certificates of deposit	2,718,875	-	2,718,875	-	-
Mutual funds - alternative investments	13,440,428	13,440,428	-	-	-
Real estate	157,079	-	-	-	157,079
Total investments by fair value level	<u>\$ 265,540,048</u>	<u>\$ 142,057,341</u>	<u>\$ 56,709,311</u>	<u>\$ -</u>	<u>\$ 66,773,396</u>

The University has the following recurring fair value measurements as of June 30, 2020:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2020	Fair Value Measurements Using			Investments valued using Net Asset Value (NAV) per share
		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	\$ 23,064,553	\$ -	\$ 23,064,553	\$ -	\$ -
U.S. Treasury	37,563,147	37,563,147	-	-	-
U.S. and corporate bonds	13,208,364	13,208,364	-	-	-
Money market mutual funds	1,780,438	1,780,438	-	-	-
Corporate notes	37,099,427	-	37,099,427	-	-
Equities	47,367,819	47,367,819	-	-	-
Equity funds	28,152,462	-	-	-	28,152,462
Fixed income funds	3,921,880	-	-	-	3,921,880
Hedge funds	17,651,376	-	-	-	17,651,376
Managed fixed income	4,264,361	4,264,361	-	-	-
Negotiable certificates of deposit	7,708,163	-	7,708,163	-	-
Mutual funds - alternative investments	8,940,894	8,940,894	-	-	-
Total investments by fair value level	<u>\$ 230,722,884</u>	<u>\$ 113,125,023</u>	<u>\$ 67,872,143</u>	<u>\$ -</u>	<u>\$ 49,725,718</u>

Investments reported at cost totaling \$30,552,877 and \$22,896,025 for years ending June 30, 2021 and 2020, 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, 2021 and 2020

3. Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Accounts receivable, net:		
Federal, state, and local governments, foundations, and companies, net of allowance for doubtful accounts of \$0 for both years	\$ 35,012,565	\$ 5,000,733
Student receivables, net of allowance for doubtful accounts of \$32,783,108 and \$33,262,440, respectively	6,948,013	7,653,142
Other, net of allowance for doubtful accounts of \$61,402 and \$60,568, respectively	<u>119,681</u>	<u>293,543</u>
Total accounts receivable, net	42,080,259	12,947,418
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of \$1,716,311 and \$1,774,418, respectively	<u>5,001,214</u>	<u>6,229,581</u>
Accounts and notes receivable, net	<u>\$ 47,081,473</u>	<u>\$ 19,176,999</u>

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2021 and 2020 were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Pledges Receivable</u>	<u>Current Portion</u>	<u>Pledges Receivable</u>	<u>Current Portion</u>
Total pledges receivable	\$2,676,370	\$ 904,193	\$3,011,838	\$ 923,562
Less: amount estimated to be uncollectible	(30,061)	(10,331)	(33,281)	(10,461)
Less: unamortized discount	<u>(45,373)</u>	<u>-</u>	<u>(73,712)</u>	<u>-</u>
Pledges receivable, net	2,600,936	<u>\$ 893,862</u>	2,904,845	<u>\$ 913,101</u>
Less: current portion	<u>(893,862)</u>		<u>(913,101)</u>	
Pledges receivable, noncurrent portion	<u>\$1,707,074</u>		<u>\$1,991,744</u>	

As of June 30, 2021 and 2020, The University has approximately \$3,634,953 and \$3,984,735, 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.

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

5. Capital Assets

Changes in capital assets during fiscal years 2021 and 2020 were as follows:

	Balance				Balance
	July 1, 2020	Additions	Reductions	Transfers	June 30, 2021
Nondepreciable capital assets:					
Land	\$ 44,739,977	\$ -	\$ (572,441)	\$ -	\$ 44,167,536
Historical collections	5,200,652	-	-	-	5,200,652
Construction in progress	<u>5,825,991</u>	<u>7,639,154</u>	<u>-</u>	<u>(11,370,396)</u>	<u>2,094,749</u>
Total nondepreciable capital assets	55,766,620	7,639,154	(572,441)	(11,370,396)	51,462,937
Depreciable capital assets:					
Land improvements	36,092,996	-	(790,828)	2,000,799	37,302,967
Buildings	1,016,169,661	-	(6,391,387)	5,938,683	1,015,716,957
Infrastructure	98,577,273	-	-	3,430,914	102,008,187
Equipment, furniture, and books	<u>123,966,845</u>	<u>2,830,398</u>	<u>(4,829,705)</u>	<u>-</u>	<u>121,967,538</u>
Total depreciable capital assets	<u>1,274,806,775</u>	<u>2,830,398</u>	<u>(12,011,920)</u>	<u>11,370,396</u>	<u>1,276,995,649</u>
Total capital assets	1,330,573,395	10,469,552	(12,584,361)	-	1,328,458,586
Less accumulated depreciation:					
Land improvements	20,139,659	1,458,082	(790,827)	-	20,806,914
Buildings	491,656,140	32,028,422	(5,902,325)	-	517,782,237
Infrastructure	39,929,102	5,833,135	-	-	45,762,237
Equipment, furniture, and books	<u>108,098,668</u>	<u>6,643,497</u>	<u>(4,781,219)</u>	<u>-</u>	<u>109,960,946</u>
Total accumulated depreciation	<u>659,823,569</u>	<u>45,963,136</u>	<u>(11,474,371)</u>	<u>-</u>	<u>694,312,334</u>
Capital assets, net	<u>\$ 670,749,826</u>	<u>\$ (35,493,584)</u>	<u>\$ (1,109,990)</u>	<u>\$ -</u>	<u>\$ 634,146,252</u>
	Balance				Balance
	July 1, 2019	Additions	Reductions	Transfers	June 30, 2020
Nondepreciable capital assets:					
Land	\$ 44,499,977	\$ 240,000	\$ -	-	\$ 44,739,977
Historical collections	4,778,966	498,050	(76,364)	-	5,200,652
Construction in progress	<u>10,830,413</u>	<u>19,333,708</u>	<u>-</u>	<u>(24,338,130)</u>	<u>5,825,991</u>
Total nondepreciable capital assets	60,109,356	20,071,758	(76,364)	(24,338,130)	55,766,620
Depreciable capital assets:					
Land improvements	34,140,880	-	(1,706,137)	3,658,253	36,092,996
Buildings	1,001,692,609	-	-	14,477,052	1,016,169,661
Infrastructure	92,374,448	-	-	6,202,825	98,577,273
Equipment, furniture, and books	<u>129,940,465</u>	<u>4,089,850</u>	<u>(10,063,470)</u>	<u>-</u>	<u>123,966,845</u>
Total depreciable capital assets	<u>1,258,148,402</u>	<u>4,089,850</u>	<u>(11,769,607)</u>	<u>24,338,130</u>	<u>1,274,806,775</u>
Total capital assets	1,318,257,758	24,161,608	(11,845,971)	-	1,330,573,395
Less accumulated depreciation:					
Land improvements	20,481,185	1,364,611	(1,706,137)	-	20,139,659
Buildings	464,888,477	26,767,663	-	-	491,656,140
Infrastructure	34,336,810	5,592,292	-	-	39,929,102
Equipment, furniture, and books	<u>109,272,105</u>	<u>8,585,500</u>	<u>(9,758,937)</u>	<u>-</u>	<u>108,098,668</u>
Total accumulated depreciation	<u>628,978,577</u>	<u>42,310,066</u>	<u>(11,465,074)</u>	<u>-</u>	<u>659,823,569</u>
Capital assets, net	<u>\$ 689,279,181</u>	<u>\$ (18,148,458)</u>	<u>\$ (380,897)</u>	<u>\$ -</u>	<u>\$ 670,749,826</u>

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

5. Capital Assets – continued

For the year ended June 30, 2021, included in depreciation expense of \$47,073,126 is an impairment loss of \$6,104,316 to adjust Quaker Square book value down to the appraisal value, a loss of \$489,063 related to Crouse and Ayer Hall and \$48,486 from the disposal of obsolete equipment and adjustments to capital assets. For the year ended June 30, 2020, included in depreciation expense of \$42,690,963 is a loss of \$380,897 from the disposal of obsolete capital assets.

During fiscal year 2021 The University received \$4 million in insurance proceeds for the Ballet Center. This is classified as nonoperating income and is included in Capital gifts and grants on the Statement of Revenues, Expenses, and Changes in Net Position.

6. Long-term Liabilities

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.

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 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.

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

6. Long-term Liabilities – continued

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, 2020 and 2019 were \$263,809 and \$525,937, respectively. The rebates were reported as other nonoperating revenues and do not reduce the amount reported as interest expense for the year.

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 of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

6. Long-term Liabilities – continued

Changes in long-term liabilities during fiscal year 2021 were as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	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	87,210,000	-	(5,535,000)	81,675,000	5,800,000
General receipts refunding bonds - Series 2015B, 2.1%, due serially through 2022	3,355,000	-	(1,660,000)	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	-
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	59,535,000	-	(2,890,000)	56,645,000	-
Taxable general receipts refunding bonds - Series 2019B, 1.976% to 3.145%, due serially through 2038	12,045,000	-	(950,000)	11,095,000	-
General receipts refunding bonds - Series 2020A, 1.68%, due serially through 2027	12,290,000	-	-	12,290,000	-
Direct Placement:					
Ohio Air Quality Development Authority: Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	23,920,465	-	(3,746,628)	20,173,837	3,839,544
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	361,405,465	-	(14,781,628)	346,623,837	11,334,544
Bond premiums:					
Series 2014A	1,608,995	-	(107,267)	1,501,728	107,266
Series 2015A	9,686,085	-	(824,347)	8,861,738	824,348
Series 2016A	13,541,498	-	(615,523)	12,925,975	615,522
Series 2018A	1,883,247	-	(85,602)	1,797,645	85,603
Series 2019A	9,665,068	-	(1,017,376)	8,647,692	1,017,375
Total bond premiums	36,384,893	-	(2,650,115)	33,734,778	2,650,114
Innovation Generation Scholarships	9,780,582	-	(496,042)	9,284,540	500,000
Capitalized lease obligations	33,923	-	(10,713)	23,210	11,297
UA Line of Credit with Foundation	300,000	-	(70,000)	230,000	-
Sick leave liability	4,302,003	367,751	-	4,669,754	1,144,916
Voluntary Retirement Incentive Plan	1,907,461	-	(1,619,886)	287,575	287,575
Voluntary Separation or Retirement Program	4,078,942	-	(4,078,942)	-	-
Liquidated damages	210,120	-	(210,120)	-	-
Totals	\$ 418,403,389	\$ 367,751	\$ (23,917,446)	394,853,694	\$ 15,928,446
Less: current portion				(15,928,446)	
Long-term liabilities				\$ 378,925,248	

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

6. Long-term Liabilities - continued

Changes in long-term liabilities during fiscal year 2020 were as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>
Bonds payable:					
General receipts refunding bonds - Series 2010A, 2.0% to 5.0%, due serially through 2029	\$ 73,865,000	\$ -	\$ (73,865,000)	\$ -	\$ -
General receipts refunding bonds - Series 2012A, 2.92%, due serially through 2027	12,290,000	-	(12,290,000)	-	-
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	92,475,000	-	(5,265,000)	87,210,000	5,535,000
General receipts refunding bonds - Series 2015B, 2.1%, due serially through 2022	4,990,000	-	(1,635,000)	3,355,000	1,660,000
General receipts refunding bonds - Series 2016A, 2.0% to 5.0%, due serially through 2042	90,715,000	-	-	90,715,000	-
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	-	59,535,000	-	59,535,000	2,890,000
Taxable general receipts refunding bonds - Series 2019B, 1.976% to 3.145%, due serially through 2038	-	12,045,000	-	12,045,000	950,000
General receipts refunding bonds - Series 2020A, 1.68%, due serially through 2027	-	12,290,000	-	12,290,000	-
Direct Placement:					
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	27,576,425	-	(3,655,960)	23,920,465	3,746,628
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	374,246,425	83,870,000	(96,710,960)	361,405,465	14,781,628
Bond premiums:					
Series 2014A	1,716,261	-	(107,266)	1,608,995	107,267
Series 2015A	10,510,433	-	(824,348)	9,686,085	824,348
Series 2016A	14,157,020	-	(615,522)	13,541,498	615,523
Series 2018A	1,968,849	-	(85,602)	1,883,247	85,602
Series 2019A	-	10,173,756	(508,688)	9,665,068	1,017,375
Total bond premiums	28,352,563	10,173,756	(2,141,426)	36,384,893	2,650,115
Development Finance Authority					
Lease revenue bonds, Series 2011	12,200,000	-	(12,200,000)	-	-
Innovation Generation Scholarships	10,375,689	-	(595,107)	9,780,582	480,000
Capitalized lease obligations	44,084	-	(10,161)	33,923	10,714
UA Line of Credit with Foundation	-	300,000	-	300,000	-
Sick leave liability	5,281,147	-	(979,144)	4,302,003	1,305,553
Voluntary Retirement Incentive Plan	2,826,780	-	(919,319)	1,907,461	985,585
Voluntary Separation or Retirement Program	3,700,000	378,942	-	4,078,942	4,078,942
Liquidated damages	525,300	-	(315,180)	210,120	210,120
Totals	\$ 437,551,988	\$ 94,722,698	\$(113,871,297)	418,403,389	\$ 24,502,657
Less: current portion				(24,502,657)	
Long-term liabilities				\$ 393,900,732	

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

6. Long-term Liabilities - continued

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 Deceased	Amount Outstanding at June 30, 2021	Amount Outstanding at June 30, 2020
General Receipts Rental Note:			
Series 2003A	\$ 33,412,270	\$ 17,080,254	\$ 18,786,614
Lease Revenue Bonds:			
Series 2011	<u>30,060,000</u>	<u>-</u>	<u>28,780,000</u>
Totals	<u>\$ 63,472,270</u>	<u>\$ 17,080,254</u>	<u>\$ 47,566,614</u>

The aggregate annual principal maturities for the debt agreements for fiscal years subsequent to June 30, 2021 are as follows:

Fiscal Year:	Direct Borrowing		Direct Placement		Total
	Principal	Interest	Principal	Interest	
2022	\$ 10,145,114	\$ 14,024,565	\$ 3,839,544	\$ 1,201,201	\$ 29,210,424
2023	15,335,114	13,581,371	3,934,765	1,104,799	33,956,049
2024	20,915,114	12,881,910	4,032,347	1,006,007	38,835,378
2025	21,680,115	12,050,426	4,132,349	904,765	38,767,655
2026	22,495,114	11,182,347	4,234,832	801,012	38,713,305
2027-2031	111,539,508	42,643,610	15,000,000	1,871,250	171,054,368
2032-2036	90,047,950	20,734,165	-	-	110,782,115
2037-2041	48,040,624	4,125,480	-	-	52,166,104
2042	<u>4,986,125</u>	<u>85,750</u>	<u>-</u>	<u>-</u>	<u>5,071,875</u>
Totals	<u>\$ 345,184,778</u>	<u>\$ 131,309,624</u>	<u>\$ 35,173,837</u>	<u>\$ 6,889,034</u>	<u>\$ 518,557,273</u>

During 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. At June 30, 2021 and 2020, the line of credit balance was \$230,000 and \$300,000, respectively.

The University negotiated Individual Retirement Incentive Benefits for certain faculty during the fiscal year 2020. Eight employees agreed to terminate employment as of December 31, 2019 or May 31, 2020 in exchange for a separation benefit paid in one or two installments during July 2020 and January 2021. The University recognized a separation benefit expense of \$.4 million for the fiscal year ended June 30, 2020.

In April 2019, The University of Akron Voluntary Separation or Retirement Program was offered to certain full-time permanent faculty. Forty-one eligible employees chose to participate in the plan by the May 30, 2019 election deadline. Each participant received a separation benefit equal to 100% of their 2019-2020 base rate of pay, paid in two equal installments in July 2020 and January 2021. The University recognized a separation benefit expense of \$3.7 million for the year ended June 30, 2019.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

6. Long-term Liabilities - continued

In January 2018, The University developed and offered a Voluntary Retirement Incentive Program to eligible faculty employees (participants) based upon years of service and age and forty-eight employees chose to participate. Each participant received up to \$100,000. The University will also contribute into a Health Reimbursement Account (HRA). The participants departed The University on or before May 31, 2018. The University paid the participants 40% on July 31, 2018 while the remaining 60% was equally contributed to the participant's 403(b) plan during July 2019, July 2020, and June 2021, respectively. The University will fund the HRAs annually in the amount of \$4,000 for four years. The University recorded expenses including the HRAs of \$4,466,000 for the year ended June 30, 2018. The remaining liability for the years ended June 30, 2021 and 2020 were \$287,575 and \$1,907,461, respectively. The University established an escrow for the special termination payments and defined contribution plan contributions. The escrow account was used in full by June 30, 2021 and was closed. At June 30, 2020, the escrow balance of \$1,260,068 is reflected as cash on the Statement of Net Position.

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, 2021 and 2020 was \$9,284,540 and \$9,780,582, respectively.

The University leases certain office facilities and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2021 and 2020 amounted to approximately \$471,000 and \$277,000, respectively.

In May 2011, The University entered into a Facilities Lease Agreement with the Development Finance Authority of Summit County (DFA), formerly known as the Summit County Port Authority, to finance and construct the South Residence Hall facility. This agreement provided for the DFA to issue \$33.8 million Lease Revenue Bonds, Series 2011 to finance the project and for the housing facility to be leased to The University. Proceeds of \$18.6 million of the General Receipts Bonds, Series 2016A issued by The University in May 2016 were used to refund principal for the fiscal years ending June 30, 2017, 2018, 2023-2028, 2031-2033, and 2039-2042. Proceeds of \$11.5 million of the General Receipts Bonds, Series 2019B issued by The University in November 2019 were used to refund the remaining principal payments.

In December 2018, The University exercised its right under Section V.E. of the employment contract and terminated employment of a contracted employee on December 31, 2018. The contract required The University to pay liquidated damages including 100% of the current base salary through February 2021 totaling \$682,890.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020

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' 2021 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate					Member Contribution Rate	
	Pension	Post-Retirement Healthcare		Death Benefits	Medicare B	Total	Total
		Healthcare	Benefits				
STRS	14.00%	0.00%	0.00%	0.00%	14.00%	14.00%	
SERS	13.20%	0.00%	0.04%	0.76%	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 plans' 2020 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate					Member Contribution Rate	
	Pension	Post-Retirement Healthcare		Death Benefits	Medicare B	Total	Total
		Healthcare	Benefits				
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,			
	2021		2020	
	Pension	OPEB	Pension	OPEB
STRS	\$ 8,418,157	\$ -	\$ 10,449,904	\$ -
SERS	3,962,378	223,035	4,782,096	287,741
OPERS	2,927,968	-	3,056,045	-
UA Plan	-	1,149,495	-	1,922,240
	\$ 15,308,503	\$ 1,372,530	\$ 18,288,045	\$ 2,209,981

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

8. Employee Benefit Plans – continued

Changes in the Net OPEB Liability – UA Plan

	Total OPEB Liability		
	2021	2020	2019
Balances at July 1	\$ 49,099,789	\$ 50,105,069	\$ 54,332,879
Changes for the year:			
Service Cost	329,951	362,567	404,391
Interest	1,318,137	2,005,578	1,832,190
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)
Changes of benefit terms	(48,266,207)	-	-
Net changes	(49,099,789)	(1,005,280)	(4,227,810)
Balances at June 30	<u>\$ -</u>	<u>\$ 49,099,789</u>	<u>\$ 50,105,069</u>

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%, 19% and 18% contribution for retiree dependent health coverage for 2021, 2020 and 2019, respectively.

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2021 and 2020, The University reported a liability for its proportionate share of the net pension liability of STRS/SERS/OPERS. For June 30, 2021, the net pension liability was measured as of June 30, 2020 for STRS, June 30, 2020 for SERS and December 31, 2020 for the OPERS plan. For June 30, 2020 the net pension liability was measured as of June 30, 2019 for STRS, June 30, 2019 for SERS, and December 31, 2019 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	
		2021	2020	2019	2021	2020	2019	2020-21	2019-20
STRS	June 30	\$ 149,618,884	\$ 146,310,173	\$ 159,106,476	0.618351%	0.661606%	0.723614%	-0.043255%	-0.062008%
SERS	June 30	70,375,241	71,898,430	79,497,683	1.064001%	1.201677%	1.388076%	-0.137676%	-0.186399%
OPERS	December 31	<u>20,208,912</u>	<u>27,211,611</u>	<u>27,472,320</u>	0.354894%	0.390496%	0.266603%	-0.035602%	0.123893%
Total		<u>\$ 240,203,037</u>	<u>\$ 245,420,214</u>	<u>\$ 266,076,479</u>					

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

8. Employee Benefit Plans – continued

Net Pension Liability, Deferrals, and Pension Expense - continued

For the year ended June 30, 2021 and 2020, The University recognized pension expense of \$6,899,679 and \$15,280,450, respectively. The difference between this total and the pension revenue of \$6,890,597 and \$1,477,673 at June 30, 2021 and 2020, 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. At June 30, 2021 and 2020, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2021</u>		<u>2020</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	\$ 508,141	\$ 1,844,751	\$ 3,404,374	\$ 1,019,507
Changes of assumptions	8,043,695	-	18,668,349	-
Net difference between projected and actual earnings on pension plan investments	10,773,075	7,987,880	-	14,144,299
Changes in proportion and differences between University contributions and proportionate share of contributions	1,981,398	29,846,519	8,549,435	38,472,459
University contributions subsequent to the measurement date	13,790,276	-	16,758,122	-
Total	<u>\$ 35,096,585</u>	<u>\$ 39,679,150</u>	<u>\$ 47,380,280</u>	<u>\$ 53,636,265</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	
2022	\$ (12,335,631)
2023	(6,503,242)
2024	(1,362,693)
2025	1,833,900
2026	(4,990)
Thereafter	(185)
Total	<u>\$ (18,372,841)</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 (2022).

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

8. Employee Benefit Plans – continued

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

At June 30, 2021, The University reported a liability/(asset) for its proportionate share of the net OPEB liability/(asset) of STRS/SERS/OPERS. For June 30, 2021, the net OPEB liability/(asset) was measured as of June 30, 2020 for STRS, June 30, 2020 for SERS, and December 31, 2020 for the OPERS plan. For June 30, 2020 the net OPEB liability/(asset) was measured as of June 30, 2019 for STRS, June 30, 2019 for SERS, and December 31, 2019 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, 2019 and 2018, 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, 2020 and 2019 (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, 2020 and 2019 (most current available information), SERS allocated 0% and 0.5%, respectively, 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, 2020 and 2019, 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.

For June 30, 2021, 2020 and 2019, The University reported 100.0% of the OPEB liability for the UA Plan measured as of December 31, 2020, 2019 and 2018, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 for June 30, 2021 and 2020 and an actuarial valuation as of January 1, 2018 for June 30, 2019.

	Measurement date	Net OPEB Liability/(Asset)			Proportionate share			Percent change	
		2021	2020	2019	2021	2020	2019	2019-20	2018-19
STRS	June 30	\$ (10,868,000)	\$ (10,958,000)	\$ (11,628,000)	0.618351%	0.661606%	0.723614%	-0.043255%	-0.062008%
SERS	June 30	21,891,680	29,490,781	38,959,181	1.007289%	1.172694%	1.404304%	-0.165405%	-0.231610%
OPERS	December 31	(2,428,632)	19,074,369	12,998,787	0.136319%	0.138094%	0.099702%	-0.001775%	0.038392%
UA Plan	December 31	-	49,099,789	50,105,069	100.0000%	100.0000%	100.0000%	0.000000%	0.000000%
Total		<u>\$ 8,595,048</u>	<u>\$ 86,706,939</u>	<u>\$ 90,435,037</u>					

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

8. Employee Benefit Plans – continued

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

For the years ended June 30, 2021 and 2020, The University recognized OPEB income of \$64,740,487 and \$824,474, respectively. The difference between this total and the OPEB revenue of \$64,963,522 and \$1,112,215 at June 30, 2021 and 2020, respectively, 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. At June 30, 2021 and 2020, The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2021</u>		<u>2020</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	\$ 1,096,857	\$ 16,237,356	\$ 1,511,922	\$ 8,780,369
Changes of assumptions	5,353,086	15,025,841	5,403,238	14,186,986
Net difference between projected and actual earnings on pension plan investments	628,822	1,293,523	54,766	1,659,262
Changes in proportion and differences between University contributions and proportionate share of contributions	1,239,411	15,655,693	4,755,397	14,748,515
University contributions subsequent to the measurement date	223,035	-	1,126,976	-
Total	<u>\$ 8,541,211</u>	<u>\$ 48,212,413</u>	<u>\$ 12,852,299</u>	<u>\$ 39,375,132</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	
2022	\$ (10,183,048)
2023	(10,111,666)
2024	(8,268,154)
2025	(7,014,359)
2026	(3,005,704)
Thereafter	(1,311,306)
Total	<u>\$ (39,894,237)</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 (2022).

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

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, 2021 fiscal year end:

	STRS	SERS
Valuation date - Pension	June 30, 2020	June 30, 2020
Valuation date - OPEB	June 30, 2020	June 30, 2020
Actuarial cost method	Entry age normal	Entry age normal
Cost of living	None	2.5 percent
Salary increases, including inflation	2.5 percent - 12.5 percent	3.5 percent - 18.2 percent
Inflation	2.5 percent	3.0 percent
Investment rate of return - Pension	7.45 percent, net of investment expense, including inflation	7.5 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.45 percent, net of investment expense, including inflation	7.5 percent, net of investment expense, including inflation
Health care cost trend rates	-6.69 percent to 11.87 percent initial, 4.0 percent ultimate	7.0 percent to 4.75 percent pre-Medicare, 5.25 percent to 4.75 percent Medicare
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended June 30, 2015
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.	RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates used. Special mortality tables are used for the period after disability retirement.
	OPERS	UA Plan
Valuation date - Pension	December 31, 2020	n/a
Valuation date - OPEB	December 31, 2019	January 1, 2020
Actuarial cost method	Individual entry age	Entry age
Cost of living	0.5 percent - 3.0 percent	n/a
Salary increases, including inflation	3.25 percent -10.75 percent	4.0 percent
Inflation	3.25 percent	2.75 percent
Investment rate of return - Pension	7.2 percent, net of plan investment expense, including inflation	n/a
Investment rate of return - OPEB	6.0 percent, net of investment expense, including inflation	n/a
Health care cost trend rates	8.5 percent initial, 3.5 percent ultimate in 2035	6.5 percent initial, 5.0 percent ultimate in 2024
Experience study date	Period of 5 years ended December 31, 2015	Period of 3 years ended February 2020
Mortality basis	RP-2014 Healthy Annuitant Mortality Table	RP-2014 generational headcount weighted mortality tables for males and females projected back to 2006 using scale MP-2014 (M/F) and then projected forward using scale MP-2020 (M/F) for employees and annuitants.

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

8. Employee Benefit Plans – continued

Actuarial Assumptions - continued

The following are actuarial assumptions for The University's June 30, 2020 fiscal year end:

	STRS	SERS
Valuation date - Pension	June 30, 2019	June 30, 2019
Valuation date - OPEB	June 30, 2019	June 30, 2019
Actuarial cost method	Entry age normal	Entry age normal
Cost of living	None	2.5 percent
Salary increases, including inflation	2.5 percent - 12.5 percent	3.5 percent - 18.2 percent
Inflation	2.5 percent	3.0 percent
Investment rate of return - Pension	7.45 percent, net of investment expense, including inflation	7.5 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.45 percent, net of investment expense, including inflation	7.5 percent, net of investment expense, including inflation
Health care cost trend rates	4.93 percent to 9.62 percent initial, 4.0 percent ultimate	7.0 percent to 4.75 percent pre-Medicare, 5.25 percent to 4.75 percent Medicare
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended June 30, 2015
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.	RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates used. Special mortality tables are used for the period after disability retirement.
	OPERS	UA Plan
Valuation date - Pension	December 31, 2019	n/a
Valuation date - OPEB	December 31, 2018	January 1, 2020
Actuarial cost method	Individual entry age	Entry age
Cost of living	1.4 percent - 3.0 percent	n/a
Salary increases, including inflation	3.25 percent - 10.75 percent	4.0 percent
Inflation	3.25 percent	2.75 percent
Investment rate of return - Pension	7.2 percent, net of plan investment expense, including inflation	n/a
Investment rate of return - OPEB	6.0 percent, net of investment expense, including inflation	n/a
Health care cost trend rates	10.5 percent initial, 3.5 percent ultimate in 2030	7.0 percent initial, 5.0 percent ultimate in 2024
Experience study date	Period of 5 years ended December 31, 2015	Period of 3 years ended February 2020
Mortality basis	RP-2014 Healthy Annuitant Mortality Table	RP-2014 generational headcount weighted mortality tables for males and females projected back to 2006 using scale MP-2014 (M/F) and then projected forward using scale MP-2019 (M/F) for employees and annuitants.

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 7.45 percent for the plan years ended June 30, 2020 and 2019. The discount rates used to measure the total pension liability for SERS were 7.5 percent for the plan years ended June 30, 2020 and 2019 (most recent available information). The discount rates used to measure the total pension liability for OPERS were 7.2 percent for the plan years ended December 31, 2020 and 2019, respectively.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

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 7.45 percent for the plan years ended June 30, 2020 and 2019 (most recent available information). At June 30, 2020 and 2019, 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 2.63 percent and 3.22 percent for the plan years ended June 30, 2020 and 2019, respectively (most recent available information). At June 30, 2020 and 2019 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 (7.5 percent) for the funded benefit payments and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent and 3.13 percent at June 30, 2020 and 2019, respectively. At June 30, 2020, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date. At June 30, 2019, the long-term expected rate of return on health care investments was applied to projected costs through the year 2029, 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 6.0 percent and 3.16 percent for the plan years ended December 31, 2020 and 2019, respectively. At December 31, 2020, the fiduciary net position and future contributions were sufficient to finance health care costs through the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

At December 31, 2019, 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 for the funded benefit payments of 6.0 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 2.75 percent at December 31, 2019. The long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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, 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, 2021 and 2020

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, 2020			SERS as of June 30, 2020			OPERS as of December 31, 2020				
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%	1.85%	Fixed Income	25.00%	1.32%	34.00%	1.07%
International Equity	23.00%	7.55%	US Equity	22.50%	5.75%	Domestic Equities	21.00%	5.64%	25.00%	5.64%
Alternatives	17.00%	7.09%	International Equity	22.50%	6.50%	Real Estate	10.00%	5.39%	0.00%	0.00%
Fixed Income	21.00%	3.00%	Fixed Income	19.00%	2.85%	Private Equity	12.00%	10.42%	0.00%	0.00%
Real Estate	10.00%	6.00%	Private Equity	12.00%	7.60%	International Equities	23.00%	7.36%	25.00%	7.36%
Liquidity Reserves	1.00%	2.25%	Real Assets	17.00%	6.60%	REITs	0.00%	0.00%	7.00%	6.48%
			Multi-Asset Strategies	5.00%	6.65%	Other Investments	9.00%	4.75%	9.00%	4.02%
Total	100.00%		Total	100.00%		Total	100.00%		100.00%	

STRS as of June 30, 2019			SERS as of June 30, 2019			OPERS as of December 31, 2019				
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	1.00%	0.50%	Fixed Income	25.00%	1.83%	36.00%	1.53%
International Equity	23.00%	7.55%	US Equity	22.50%	4.75%	Domestic Equities	19.00%	5.75%	21.00%	5.75%
Alternatives	17.00%	7.09%	International Equity	22.50%	7.00%	Real Estate	10.00%	5.20%	0.00%	0.00%
Fixed Income	21.00%	3.00%	Fixed Income	19.00%	1.50%	Private Equity	12.00%	10.70%	0.00%	0.00%
Real Estate	10.00%	6.00%	Private Equity	10.00%	8.00%	International Equities	21.00%	7.66%	23.00%	7.66%
Liquidity Reserves	1.00%	2.25%	Real Assets	15.00%	5.00%	REITs	0.00%	0.00%	6.00%	5.69%
			Multi-Asset Strategies	10.00%	3.00%	Other Investments	13.00%	4.98%	14.00%	4.90%
Total	100.00%		Total	100.00%		Total	100.00%		100.00%	

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

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:

2021						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.45%	\$ 213,031,243	7.45%	\$ 149,618,884	8.45%	\$ 95,882,192
SERS	6.50%	96,405,487	7.50%	70,375,241	8.50%	48,535,370
OPERS	6.20%	<u>38,795,738</u>	7.20%	<u>20,208,912</u>	8.20%	<u>4,758,838</u>
		<u>\$ 348,232,468</u>		<u>\$ 240,203,037</u>		<u>\$ 149,176,400</u>
2020						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.45%	\$ 213,816,018	7.45%	\$ 146,310,173	8.45%	\$ 89,163,017
SERS	6.50%	100,755,405	7.50%	71,898,430	8.50%	47,698,245
OPERS	6.20%	<u>45,065,491</u>	7.20%	<u>27,211,611</u>	8.20%	<u>11,174,130</u>
		<u>\$ 359,636,914</u>		<u>\$ 245,420,214</u>		<u>\$ 148,035,392</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:

2021						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.45%	\$ (9,455,437)	7.45%	\$ (10,868,000)	8.45%	\$ (12,065,594)
SERS	1.63%	26,794,872	2.63%	21,891,680	3.63%	17,993,651
OPERS	5.00%	(603,893)	6.00%	(2,428,632)	7.00%	(3,928,714)
UA Plan	1.12%	-	2.12%	-	3.12%	-
		<u>\$ 16,735,542</u>		<u>\$ 8,595,048</u>		<u>\$ 1,999,343</u>
2020						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.45%	\$ (9,350,285)	7.45%	\$ (10,958,000)	8.45%	\$ (12,309,310)
SERS	2.22%	35,796,211	3.22%	29,490,781	4.22%	24,477,220
OPERS	2.16%	24,961,871	3.16%	19,074,369	4.16%	14,360,395
UA Plan	1.74%	<u>55,349,462</u>	2.74%	<u>49,099,789</u>	3.74%	<u>43,941,723</u>
		<u>\$ 106,757,259</u>		<u>\$ 86,706,939</u>		<u>\$ 70,470,028</u>

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

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:

	2021		
	<u>1.00 percent decrease</u>	<u>Current Trend Rate</u>	<u>1.00 percent increase</u>
STRS	\$ (11,991,225)	\$ (10,868,000)	\$ (9,498,647)
SERS	17,238,032	21,891,680	28,114,798
OPERS	(2,487,822)	(2,428,632)	(2,362,408)
UA Plan	-	-	-
	<u>\$ 2,758,985</u>	<u>\$ 8,595,048</u>	<u>\$ 16,253,743</u>

	2020		
	<u>1.00 percent decrease</u>	<u>Current Trend Rate</u>	<u>1.00 percent increase</u>
STRS	\$ (12,425,621)	\$ (10,958,000)	\$ (9,160,033)
SERS	23,628,087	29,490,781	37,269,149
OPERS	18,511,501	19,074,369	19,630,062
UA Plan	44,758,281	49,099,789	54,321,566
	<u>\$ 74,472,248</u>	<u>\$ 86,706,939</u>	<u>\$ 102,060,744</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, 2020 and December 31, 2020, respectively, certain assumption changes were made by the plans. The SERS OPEB discount rates was reduced from 3.22 percent to 2.63 percent, which impacted the annual actuarial valuation for OPEB prepared as of June 30, 2020. The OPERS OPEB discount rate was increased from 3.16 to 6.0 percent, which impacted the annual actuarial valuation for OPEB prepared as of December 31, 2020. The OPERS OPEB discount rate was reduced from 3.96 percent to 3.16 percent, which impacted the annual actuarial valuation for OPEB prepared as of December 1, 2019.

Benefit changes

There were no significant benefit terms changes for the pension or OPEB plan(s) since the prior two measurement dates for STRS or SERS. Effective in 2022, OPERS will replace the current self-insured group plan with a marketplace concept for pre-Medicare retirees.

Payable to the Pension Plan and OPEB Plan

At June 30, 2021, The University reported a payable of \$1,154,401 and \$6,092 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021. At June 30, 2020, The University reported a payable of \$699,252 and \$6,974 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, employee contributions totaled \$3,615,499 and \$4,319,040, respectively, and The University recognized pension expense of \$3,867,944 and \$4,654,962, 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 pools, along with other state universities, for commercial property coverage and commercial casualty coverage. Each university contributes on a basis equal to its percentage of the total insurable value of the pool for property and average of student enrollment, employee count, and number of autos for casualty. In addition to the allocation basis, future contributions will also be adjusted based upon each university's loss history. For commercial property, each university pays their applicable deductible then the pool provides coverage before insurance attaches. For commercial casualty coverage, the member deductible is \$100,000 and then the next \$900,000 of any one claim is the responsibility of the pool. 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, 2021, The University made \$1,526,334 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, 2021 and 2020

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 \$1,467,574 and \$1,704,272, included with accrued liabilities as of June 30, 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Liability at beginning of year	\$ 1,704,272	\$ 2,056,324	\$ 1,788,725
Claims incurred and changes in estimates	17,229,531	19,279,976	21,193,424
Claim payments	<u>(17,466,229)</u>	<u>(19,632,028)</u>	<u>(20,925,825)</u>
Liability at end of year	<u>\$ 1,467,574</u>	<u>\$ 1,704,272</u>	<u>\$ 2,056,324</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 \$23.2 million from the State for buildings and renovations, of which \$1.4 million has been expended as of June 30, 2021.

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, 2021 and 2020

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 will be recognized as revenue in FY22. The remaining \$2.1 million will be available for use in FY22. 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.

The extent to which the coronavirus may adversely impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact among others. Accordingly, the full impact of COVID-19 and the scope of any adverse impact on future University finances and operations cannot be fully determined at this time. Potential adverse consequences of the COVID-19 pandemic or any other similar outbreaks in the future may include, but are not limited to: decline in enrollment (including a disproportional decline in enrollment by international students); decline in demand for University housing; decline in demand for University programs that involve travel or that have international connections; a decrease in availability of student loan funds or other student financial aid; reductions in funding support from donors or other external sources; a decline in research funding, including research funding from the U.S. government; a significant decline in the University's investments based on market declines or other external factors; and a decrease in financial support from the State whether through decreased appropriations or otherwise.

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

10. Component units

Details of the component units' net position at June 30, 2021 and 2020 are as follows:

	2021			2020		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Cash and cash equivalents	\$ 4,076,574	\$ 445,406	\$ 4,521,980	\$ 1,670,448	\$ 1,398,225	\$ 3,068,673
Pooled investments	-	7,336,110	7,336,110	-	7,309,495	7,309,495
Accounts receivable, net	2,947,600	848,178	3,795,778	141,644	1,374,757	1,516,401
Pledges receivable, net	2,133,317	-	2,133,317	1,141,127	-	1,141,127
Related party land note receivable	-	-	-	-	-	-
Prepaid expenses	-	183,014	183,014	-	201,085	201,085
Total current assets	9,157,491	8,812,708	17,970,199	2,953,219	10,283,562	13,236,781
Noncurrent assets:						
Restricted investments	-	973,814	973,814	-	858,819	858,819
Endowment investments	235,427,593	-	235,427,593	191,663,906	-	191,663,906
Pledges receivable, net	7,960,014	-	7,960,014	9,841,089	-	9,841,089
Related party note receivable	230,000	-	230,000	300,000	-	300,000
Capital assets, net	747,900	3,546,857	4,294,757	747,900	3,836,874	4,584,774
Total assets	253,522,998	13,333,379	266,856,377	205,506,114	14,979,255	220,485,369
Liabilities						
Current liabilities:						
Accounts payable	198,094	1,602,661	1,800,755	346,283	3,323,081	3,669,364
Accrued liabilities	-	667,553	667,553	-	1,069,189	1,069,189
Unearned income	28,500	106,116	134,616	28,500	665,910	694,410
Deposits	5,000	-	5,000	5,000	-	5,000
Current portion of long-term liabilities	-	98,952	98,952	-	70,134	70,134
Total current liabilities	231,594	2,475,282	2,706,876	379,783	5,128,314	5,508,097
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	11,130,271	-	11,130,271	10,681,700	-	10,681,700
Long-term liabilities	-	2,181,690	2,181,690	-	2,205,340	2,205,340
Total liabilities	11,361,865	4,656,972	16,018,837	11,061,483	7,333,654	18,395,137
Net position						
Non controlling interest in subsidiary	-	-	-	-	-	-
Net investment in capital assets	747,900	1,266,215	2,014,115	747,900	1,561,400	2,309,300
Restricted:			-			-
Nonexpendable	232,773,504	-	232,773,504	186,485,881	-	186,485,881
Expendable	8,639,729	-	8,639,729	7,210,850	-	7,210,850
Unrestricted (deficit)	-	7,410,192	7,410,192	-	6,084,201	6,084,201
Total net position	\$ 242,161,133	\$ 8,676,407	\$ 250,837,540	\$ 194,444,631	\$ 7,645,601	\$ 202,090,232

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

10. Component units - continued

Details of the component units' revenues, expenses, and changes in net position at June 30, 2021 and 2020 are as follows:

	2021			2020		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Revenues						
Operating revenues:						
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Private grants and contracts	-	728,074	728,074	-	1,848,390	1,848,390
Gifts and contributions	12,007,159	-	12,007,159	9,846,560	-	9,846,560
Other sources	-	1,828,182	1,828,182	-	1,774,460	1,774,460
Total operating revenues	12,007,159	2,556,256	14,563,415	9,846,560	3,622,850	13,469,410
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	318,254	318,254	-	2,280,230	2,280,230
Institutional support	1,019,529	-	1,019,529	1,135,245	-	1,135,245
Depreciation	-	373,741	373,741	-	415,719	415,719
Total operating expenses	1,019,529	691,995	1,711,524	1,135,245	2,695,949	3,831,194
Operating income (loss)	10,987,630	1,864,261	12,851,891	8,711,315	926,901	9,638,216
Nonoperating revenues (expenses)						
Investment income, net	48,741,084	1,734,425	50,475,509	(1,975,831)	133,292	(1,842,539)
Interest on debt	-	(47,637)	(47,637)	-	(127,802)	(127,802)
Distributions to The University	(11,641,444)	(2,695,840)	(14,337,284)	(10,561,296)	(1,640,683)	(12,201,979)
Distributions on behalf of The University	(399,845)	-	(399,845)	(620,985)	-	(620,985)
Other nonoperating revenues	29,077	175,597	204,674	25,043	215,913	240,956
Net nonoperating revenues (expenses)	36,728,872	(833,455)	35,895,417	(13,133,069)	(1,419,280)	(14,552,349)
Gain (loss) before other changes	47,716,502	1,030,806	48,747,308	(4,421,754)	(492,379)	(4,914,133)
Other changes						
Reductions to permanent endowments	-	-	-	(529,000)	-	(529,000)
Increase in net position	47,716,502	1,030,806	48,747,308	(4,950,754)	(492,379)	(5,443,133)
Net position - beginning of year	194,444,631	7,645,601	202,090,232	199,395,385	8,137,980	207,533,365
Non controlling interest in subsidiary	-	-	-	-	-	-
Net position - end of year	<u>\$ 242,161,133</u>	<u>\$ 8,676,407</u>	<u>\$ 250,837,540</u>	<u>\$ 194,444,631</u>	<u>\$ 7,645,601</u>	<u>\$ 202,090,232</u>

The University of Akron

Notes to the Basic Financial Statements

June 30, 2021 and 2020

10. Component units - continued

The following tables present information about the component units' assets and liabilities measured at fair value on a recurring basis at June 30, 2021 and 2020 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, 2021

	Balance at June 30, 2021	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					
Bonds	\$ 4,056,801	\$ -	\$ 4,056,801	\$ -	\$ -
Fixed income funds	30,400,562	-	9,646,790	-	20,753,772
Common stocks	3,560,303	3,560,303	-	-	-
Equity funds	32,622,035	10,221,422	-	-	22,400,613
International equity funds	55,630,195	1,524,359	-	-	54,105,836
Private equity funds	13,773,905	-	-	-	13,773,905
Real estate funds	1,514,488	-	-	-	1,514,488
Hedge funds	47,171,933	-	-	-	47,171,933
Exchange traded funds	264,233	264,233	-	-	-
Floater	400,000	-	400,000	-	-
Cash and cash equivalent	21,552,262	21,552,262	-	-	-
Mutual funds	24,110,346	24,110,346	-	-	-
Preferred stocks	20,616	20,616	-	-	-
U.S. Treasury obligations	1,036	-	1,036	-	-
Other	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(11,130,271)	-	-	(11,130,271)	-

Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2020

	Balance at June 30, 2020	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					
Bonds	\$ 7,105,955	\$ -	\$ 7,105,955	\$ -	\$ -
Fixed income funds	12,731,515	-	-	-	12,731,515
Common stocks	8,632,482	8,632,482	-	-	-
Equity funds	21,787,977	-	-	-	21,787,977
International equity funds	51,121,566	-	-	-	51,121,566
Private equity funds	11,789,051	-	-	-	11,789,051
Real estate funds	1,116,993	-	-	-	1,116,993
Hedge funds	15,285,190	-	-	-	15,285,190
Exchange traded funds	251,132	251,132	-	-	-
Floater	775,000	-	775,000	-	-
Money market mutual funds	28,099,422	28,099,422	-	-	-
Mutual funds	20,670,154	20,670,154	-	-	-
Preferred stocks	40,280	40,280	-	-	-
U.S. Treasury obligations	11,402,509	-	11,402,509	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(10,681,700)	-	-	(10,681,700)	-

The University of Akron
Notes to the Basic Financial Statements
June 30, 2021 and 2020

10. Component units – continued

Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2021

	Balance at June 30, 2021	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	\$ 1,756,660	\$ 1,756,660	\$ -	\$ -	\$ -
Large growth	975,590	975,590	-	-	-
Large value	1,016,900	1,016,900	-	-	-
Small- and mid-cap growth	796,937	796,937	-	-	-
Alternatives	1,302,126	1,302,126	-	-	-
Internationals	1,487,897	1,487,897	-	-	-
Liabilities					
Interest rate swap	(69,022)	-	(69,022)	-	-

Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2020

	Balance at June 30, 2020	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	\$ 1,841,812	\$ 1,841,812	\$ -	\$ -	\$ -
Large growth	858,409	858,409	-	-	-
Large value	819,402	819,402	-	-	-
Small- and mid-cap growth	768,285	768,285	-	-	-
Alternatives	1,123,013	1,123,013	-	-	-
Internationals	1,483,574	1,483,574	-	-	-
Liabilities					
Interest rate swap	(147,146)	-	(147,146)	-	-

Details of the component units' capital assets at June 30, 2021 and 2020 are as follows:

	2021			2020		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Capital assets:						
Land	\$ 747,900	\$ 290,607	\$ 1,038,507	\$ 747,900	\$ 290,607	\$ 1,038,507
Buildings	-	5,513,180	5,513,180	-	5,423,877	5,423,877
Equipment	-	2,349,393	2,349,393	-	2,373,478	2,373,478
Total capital assets	747,900	8,153,180	8,901,080	747,900	8,087,962	8,835,862
Less: accumulated depreciation	-	(4,606,323)	(4,606,323)	-	(4,251,088)	(4,251,088)
Capital assets, net	<u>\$ 747,900</u>	<u>\$ 3,546,857</u>	<u>\$ 4,294,757</u>	<u>\$ 747,900</u>	<u>\$ 3,836,874</u>	<u>\$ 4,584,774</u>

Required Supplementary Information

The University of Akron

Schedule of University's Proportionate Share of the Net Pension Liability Fiscal Years Ended June 30, 2015 to 2021

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)					
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)					
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)					
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 2021, the plan fiduciary net position as a percentage of the total pension liability is as follows for each plan:

STRS: 75.50%
SERS: 68.55%
OPERS: 87.21%

The University of Akron
Schedule of University's Pension Contributions
Fiscal Years Ended June 30, 2015 to 2021

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)					
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)					
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)					
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 University's Proportionate Share of the Net OPEB Liability/(Asset) Fiscal Years Ended June 30, 2018 to 2021

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)					
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)					
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)					
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 2021, the plan fiduciary net position as a percentage of the total OPEB liability/(asset) is as follows for each plan:

STRS: 182.10%
SERS: 18.17%
OPERS: 115.57%

The University of Akron
Schedule of University's OPEB Contributions
Fiscal Years Ended June 30, 2018 to 2021

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)					
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)					
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)					
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 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 329,951	\$ 362,567	\$ 404,391	\$ 385,134
Interest	1,318,137	2,005,578	1,832,190	1,853,219
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)	(2,693,367)
Net change in total OPEB liability	<u>(49,099,789)</u>	<u>(1,005,280)</u>	<u>(4,227,810)</u>	<u>(455,014)</u>
Total OPEB liability - beginning	<u>49,099,789</u>	<u>50,105,069</u>	<u>54,332,879</u>	<u>54,787,893</u>
University's net OPEB liability - ending	<u>\$ -</u>	<u>\$ 49,099,789</u>	<u>\$ 50,105,069</u>	<u>\$ 54,332,879</u>
Covered-employee payroll	\$ 13,448,810	\$ 13,448,810	\$ 18,783,923	\$ 18,148,718
University's net OPEB liability as a percentage of covered-employee payroll	0.00%	365.09%	266.74%	299.38%

The University of Akron

Notes to the Required Supplementary Information

Fiscal Years Ended June 30, 2015 to 2021

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 2021

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, 2020 and December 31, 2020, 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 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.

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.

Supplemental 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, 2021, and the related notes to the financial statements which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 22, 2021.

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 may exist that have not been identified.

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
October 22, 2021

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

To the Board of Trustees
The University of Akron

Report on Compliance for Each Major Federal Program

We have audited The University of Akron's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of 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, 2021.

(Continued)

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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
October 22, 2021

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-Through to Subrecipient</u>	<u>Total Expenditures</u>
Student Financial Aid Cluster				
Department of Education				
Direct				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 909,456
Federal Work-Study Program	84.033	N/A	-	521,737
Federal Perkins Loan Program	84.038	N/A	-	7,028,613
Federal Pell Grant Program	84.063	N/A	-	20,175,062
Federal Direct Student Loans	84.268	N/A	-	63,864,901
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	-	<u>45,199</u>
Total Department of Education			-	92,544,968
Department of Health and Human Services				
Direct				
Nursing Student Loans	93.364	N/A	-	<u>770,993</u>
Total Department of Health and Human Services			-	<u>770,993</u>
Total Student Financial Aid Cluster			-	93,315,961
Research and Development Cluster				
National Science Foundation				
Direct				
Engineering Grants	47.041	N/A	-	<u>262</u>
Total Department of Agriculture			-	<u>262</u>
Department of Agriculture				
Pass Through				
University of Akron Research Foundation-Rural Bus Develop	10.351	N/A	-	<u>15,553</u>
Total Department of Agriculture			-	<u>15,553</u>
Department of Commerce				
Direct				
Weather and Air Quality Research	11.459	N/A	-	<u>31,332</u>
Total Department of Commerce			-	<u>31,332</u>
Department of Defense				
Direct				
Basic and Applied Scientific Research	12.300	N/A	-	262,109
Air Force Defense Research Sciences Program	12.800	N/A	-	(1,209)
Pass Through				
Alpha STAR Corporation	12.300	N/A	-	70,495
Washington University in St Louis	12.420	W81XWH19	-	152,723
3D Systems Corporation -Air Force Defense Research Science Pr	12.800	N/A	-	96,707
University of California, San Diego-Air Force Defense Research Sciences Program	12.800	N/A	-	256,307
University of Nebraska, Lincoln & Brunswi-Air Force Defense Research Science Program	12.800	NA	-	27,926
Wright State University -Research and Techology Development	12.910	N/A	-	<u>77,553</u>
Total Department of Defense			-	942,611
Department of the Interior				
Pass Through				
Ohio State University-Assistance to State Water Resources	15.805	N/A	-	<u>23,115</u>
Total Department of Interior			-	23,115
Department of Justice				
Direct				
National Institute of Justice Research,Evaluation, and Development	16.560	N/A	-	<u>63,566</u>
Total Department of Justice			-	63,566

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Research and Development Cluster - continued				
Department of Transportation				
Direct				
Air Transportation Centers of Excellence	20.109	N/A	\$ -	\$ 30,747
Pipeline Safety Research Competitive Academic Agreement Program	20.724	N/A	55,414	151,447
Pass Through				
Minnesota Department of Transportation - Highway Research and Development Program	20.200	TPF-5(353)	10,000	30,363
Ohio State - University-Coronavirus Relief Fund	21.019	OSU-FDCAR	-	130,990
University of Michigan-University Transportation Centers Program	20.701	N/A	-	49,698
Total Department of Transportation			<u>65,414</u>	<u>393,245</u>
National Aeronautics and Space Administration				
Direct				
Aeronautics and Space Act of 1958	43.008	N/A	-	3,997
Pass Through				
Georgia Institute of Technology-Aerospace Education Service Program	43.001	N/A	-	105,450
University of Dayton Research Institute-Aerospace Education Service Program	43.001	80NSSC17K07	-	30,583
Total National Aeronautics and Space Administration			<u>-</u>	<u>140,030</u>
National Science Foundation				
Direct				
Engineering Grants	47.041	N/A	47,087	1,417,230
Mathematical and Physical Sciences	47.049	N/A	-	1,714,728
Geosciences	47.050	N/A	-	262,532
Computer and Information Science and Engineering	47.070	N/A	-	73,085
Biological Sciences	47.074	N/A	-	280,823
Social, Behavioral, and Economic Sciences	47.075	N/A	-	6,053
International Science and Engineering (OISE)	47.079	NA	-	2,598
Education and Human Resources	47.076	N/A	-	149,371
Pass Through				
Northeastern University - Engineering Grants	47.041	N/A	-	19,293
Precision Surface Science-Engineering Grants	47.041	2026026	-	9,549
Smart 3D Solutions LLC-Engineering Grants	47.041	N/A	-	5,545
Virginia Tech-Engineering Grants	47.041	N/A	-	60,527
Virginia Tech-Engineering Grants	47.041	1650423	-	67,265
University of Connecticut-Mathematical and Physical Sciences	47.049	N/A	-	51,357
Total National Science Foundation			<u>47,087</u>	<u>4,119,956</u>
Federal Domestic Assistance				
Direct				
P3 Award: National Student Design Competition for Sustainability	66.516	N/A	-	767
Total Federal Domestic Assistance			<u>-</u>	<u>767</u>
Department of Energy				
Direct				
Fossil Energy Research and Development	81.089	N/A	44,864	164,083
Pass Through				
Akron PolyEnergy, Inc.-Office of Science Financial Asst Program	81.049	N/A	-	36,104
Chemtronergy, LLC-Office of Science Financial Asst Program	81.049	N/A	-	42,342
pH Matter LLC-Office of Science Financial Assistance Program	81.049	N/A	-	17,713
North Carolina State University-Conservation Research and Dev	81.086	N/A	-	110,277
Total Department of Energy			<u>44,864</u>	<u>370,519</u>
Department of Education				
Pass Through				
University of Cincinnati-Special Education-Personnel Dev	84.325K	H325K19006	-	10,234
Total Department of Education			<u>-</u>	<u>10,234</u>

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Research and Development Cluster - continued				
Department of Health and Human Services				
Direct				
Discovery and Applied Research for Technological Innovations to improve human Health	93.286	NA	\$ -	\$ 19,618
Cancer Detection and Diagnosis Research	93.394	N/A	61,600	140,545
Cancer Treatment Research	93.895	N/A	-	160,730
Lung Diseases Research	93.838	N/A	-	870
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	N/A	5,832	170,088
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	N/A	-	11,235
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	N/A	57,548	148,989
Allergy, Immunology and Transplantation Research	93.855	N/A	-	410,085
Biomedical Research and Research Training	93.859	N/A	-	217,069
Pass Through				
Brown University-Mental Health Research Grant	93.242	R34MH1199	-	25,837
Pennsylvania State University-Cardiovascular Diseases Research	93.837	N/A	-	26,220
University of Texas Arlington-Cardiovascular Diseases Research	93.837	N/A	-	33,161
University of Tennessee Knoxville-Biomedical Research and Research Training	93.859	R01GM120642	-	31,846
Women & Infants Hospital of Rhode Island -Child health	93.865	R01HD094801	-	6,793
Case Western Reserve University-Vision Research	93.867	R01EY029169	-	121,673
Total Department of Health and Human Services			<u>124,980</u>	<u>1,524,759</u>
Total Research and Development Cluster			282,345	7,635,949
Highway Planning and Construction Cluster				
Department of Transportation				
Pass Through				
Ohio Department of Transportation-Highway Planning and Construction	20.205	E201004	15,480	96,368
Ohio Department of Transportation-Highway Planning and Construction	20.205	E180673	37,941	66,538
Ohio Department of Transportation-Highway Planning and Construction	20.205	E190485	-	130,641
Ohio Department of Transportation-Highway Planning and Construction	20.205	E190631	32,340	87,802
Ohio University-Highway Planning and Construction	20.205	E180705	-	15,288
Ohio University-Highway Planning and Construction	20.205	E200943	-	11,176
University of Cincinnati - Highway Planning and Construction	20.205	34876 / E20	-	1,355
University of Cincinnati - Highway Planning and Construction	20.205	FWWAE201	-	5,024
Total Department of Transportation			<u>85,761</u>	<u>414,192</u>
Total Highway Planning and Construction Cluster			85,761	414,192
Highway Safety Cluster				
Pass Through				
Ohio Dept of Public Safety and Community Highway Safety	20.600	N/A	-	56,483
Total Department of Transportation			<u>-</u>	<u>56,483</u>
Total Highway Safety Cluster			-	56,483
TRIO Cluster				
Department of Education				
Direct				
TRIO_Talent Search	84.044	N/A	-	487,879
TRIO_Upward Bound	84.047	N/A	-	786,564
Total Department of Education			<u>-</u>	<u>1,274,443</u>
Total TRIO Cluster			-	1,274,443

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-Through to Subrecipient</u>	<u>Total Expenditures</u>
Other Programs				
Instruction				
Department of Education				
Direct				
English Language Acquisition Grants	84.365	N/A	\$ 21,694	\$ 499,305
Total Department of Education			21,694	499,305
Department of Health and Human Services				
Direct				
Nurse Anesthetist Traineeships	93.124	N/A	-	45,059
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	N/A	-	55,376
Mental and Behavioral Health Education and Training Grant	93.732	N/A	117,512	309,355
Pass Through				
Northeast Ohio Medical Univ. (NEOMED)-Model State-Supported Area Health Education Centers	93.107	U77HP23072	-	65,130
Ohio Department of Job and Family Serv-Child Welfare Services_State Grants	93.645	N/A	-	68,234
Total Department of Health and Human Services			117,512	543,154
Total Instruction			139,206	1,042,459
Public Service				
Department of Justice				
Direct				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	N/A	-	80,304
Total Department of Justice			-	80,304
Department of Treasury				
Pass Through				
COVID-19 Ohio Department of Higher Education-Coronavirus Relief Fund	21.019	N/A	-	13,863,532
COVID-19 Summit County - Coronavirus Relief Fund	21.019	N/A	-	2,000,000
Total Department of Education			-	15,863,532
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	-	7,075,909
COVID-19 Education Stabilization Fund -PL 116-136 Title VIII Coronavirus Aid, Relief and Security Act	84.425F	N/A	-	30,324,155
Pass Through				
COVID-19 Ohio Department of Higher Educations - Governor's Emergency Education Relief Fund (GEER)	84.425C	S425C200040	-	39,524
Total Department of Education			-	37,439,588
Department of Health and Human Services				
Pass Through				
Summit County Dept of Job and Family Srv-Social Services Block Grant	93.667	N/A	-	24,839
Northeast Ohio Medical Univ. (NEOMED)-Geriatric Education Centers	93.969	N/A	-	44,794
Total Department of Health and Human Services			-	69,633
Total Public Service			-	53,453,057
Total Other Programs			139,206	54,495,516
Grand Total			\$ 507,312	\$ 157,192,544

The University of Akron

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2021

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, 2021. 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, 2021. 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, 2021:

<u>Cluster/Program Title</u>	<u>Assistance Listing Number</u>	<u>Advances</u>	<u>Outstanding Balances</u>
Perkins Loan Program (net of allowances)	84.038	\$ -	\$ 4,219,239
Nursing Student Loan Program (net of allowances)	93.364	74,275	639,772

Note 4 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University transferred \$310,675 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 \$1,946 of the 2019-2020 SEOG award to the 2020-2021 award year.

In addition, the University carried forward \$5,298 and \$66,300 of the 2020-2021 FWS and SEOG awards, respectively, to the 2021-2022 award year. The University spent \$0 of the carried forward FWS funds from the 2019-2020 award year during the 2020-2021 award year.

The University of Akron
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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	\$ 157,192,544
Pell grants	(20,175,062)
Federal direct loans	(63,864,901)
Federal Perkins loan program	(7,028,613)
Nursing student loan program	(770,992)
Federal grants passed through state entities	(14,409,122)
Federal grants passed through local entities	(2,024,839)
Private grants	(1,885,967)
Sales	-
Federal purchased service contracts	(1,888,895)
Indirect costs excluded from federal grants on Statement	111,930
Change in deferred revenue from federal grants	<u>(34,440,852)</u>
Federal grants and contracts as shown on the Statement	<u>\$ 10,815,231</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, 2021

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
21.019	Coronavirus Relief Fund	Unmodified
84.425C, 84.425E, 84.425F	Higher Education Emergency Relief Fund	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No

The University of Akron

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

Section II - Financial Statement Findings

Reference Number	Findings
Current Year	None

The University of Akron

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

Section III – Federal Program Audit Findings

Reference Number	Findings
Current Year	None

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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 12/28/2021

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