Kent State University
(A Component Unit of the State of Ohio)

Financial Report
June 30, 2020

Contents

Independent Auditor's Report

President and Board of Trustees of Kent State University

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Kent State University (the University), a component unit of the State of Ohio, as of and for the year ended June 30, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 discretely presented component unit of Kent State University, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the University, as of and for the year ended June 30, 2019, were audited by other auditors, whose report, dated October 14, 2019, expressed an unmodified opinion on those statements.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-16 as well as required supplementary data for certain retirement plan data and other postemployment benefits (OPEB) data on pages 61-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

RSM US LLP

Cleveland, Ohio
October 15, 2020

This section of Kent State University's (the University) annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2020 and 2019. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes and this discussion are the responsibility of University management.

Using the Annual Financial Report

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* In fiscal year 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The financial statements prescribed by GASB Statement No. 63 *(Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows)* are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Amounts required to be reported as deferred outflows of resources are reported separately after assets and amounts required to be reported as deferred inflows of resources are reported separately after liabilities. See Note 2 for further discussion of these financial statement categories.

The financial statements have also been prepared in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. Since the issuance of Statement No. 61, the GASB issued Statement No. 80 *Blending Requirements for Certain Component Units*. Both of these standards require examination of significant operational or financial relationships with the University and establish criteria for identifying and presenting component units of the organization. Based on this examination and application of the criteria in these standards, the University has identified two component units: The Kent State University Foundation and the KSU Foot and Ankle Clinic. The Kent State University Foundation is discretely presented in the University's financial statements; however, it is excluded from Management's Discussion and Analysis. The KSU Foot and Ankle Clinic is a blended component unit and, therefore, is indirectly included in Management's Discussion and Analysis. See Note 12 for further discussion on component units.

Noteworthy Financial Activity

In fiscal year 2018, the University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75)*,* Similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), the University is required to recognize on the face of the financial statements its proportionate share of the net other postemployment retirement benefits (OPEB) asset/liability related to its participation in both the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System (STRS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with this statement, the University recorded $145.1 million as a change in accounting principle adjustment to unrestricted net position as of July 1, 2017, thus restating the University's beginning net position from $444.3 million to $299.2 million. In fiscal year 2020, the University recognized OPEB expense of $6.9 million, deferred outflows and deferred inflows of $23.7 million and $44.9 million, respectively and a net OPEB (asset) liability of $(17.5) million and $116.7 million, respectively. In fiscal year 2019, the University recognized net OPEB revenue of $25.2 million, deferred outflows and deferred inflows of $18.1 million and $28.4 million respectively and a net OPEB (asset) liability of $(18.1) million and $121.3 million, respectively. In fiscal year 2018, the University recognized net OPEB revenue of $6.4 million.

Noteworthy Financial Activity (Continued)

In fiscal year 2015, the University implemented GASB 68 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71). These Statements require governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. The statements also enhanced accountability and transparency through revised note disclosures and required supplementary information. In accordance with these Statements, the University recorded $410.2 million as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014, thus restating the University's beginning net position from $827.2 million to $417.0 million. In fiscal year 2020, the University recognized pension expense of $23.0 million with related deferred outflows decreasing to $77.9 million, deferred inflows increasing to $67.9 million and the net pension liability decreasing to $401.3 million. In fiscal year 2019, the University recognized net pension expense of $28.6 million, with related deferred outflows increasing to $122.8 million, deferred inflows decreasing to $36.7 million and the net pension liability increasing to $454.4 million. In fiscal year 2018, the University recognized pension revenue of $110.3 million.

Pension/OPEB expense or revenue was allocated to each functional category based on applicable salary expense. In fiscal year 2020, the University presented these expense items as separate lines on the financial statements and have reclassified the prior years to reflect this. Each year the impacts to the University's financial statements are based on the assumptions and decisions implemented by each plan. The deferred outflows/inflows and net pension and OPEB liabilities for the University are equal to the University's proportionate share of each of these plan components, therefore if there are significant fluctuations in these components for the plan, the University will recognize those fluctuations in its financial statements. For fiscal year 2020, there were several changes to assumptions for the OPERS OPEB plan. The health care cost trend rates increased and the discount rate was reduced. For fiscal year 2019, there was no significant change in assumptions. For fiscal year 2018, the primary driver for the significant decrease in pension expense (revenue) is due to STRS adopting certain assumption changes that impacted the actuarial valuation at June 30, 2017, most notably the reduction in the discount rate from 7.75 percent to 7.45 percent and the cost of living adjustment dropping from 2.00 percent to 0.00 percent.

The table below illustrates the change in the increase or decrease in net position after GASB 68/75 was applied in the fiscal year noted below:

	(Dollars in Thousands)		
	2020	2019	2018
Increase (decrease) in net position prior to GASB 68/75 adjustment	$ (21,512)	$ (30,761)	$ (8,614)
GASB 68/75 recognition of net pension and OPEB revenue (expense)	(29,949)	(3,424)	116,751
(Decrease) increase in net position after GASB 68/75 adjustment	$ (51,461)	$ (34,185)	$ 108,137

Noteworthy Financial Activity (Continued)

The impacts to the University's financial statements as a result of both GASB 68 and GASB 75 are further discussed in Note 9.

Toward the end of fiscal year 2020, the University (and the world at large) faced an unprecedented challenge due to the coronavirus (Covid-19) pandemic. 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.

On March 9, 2020, Governor Mike DeWine declared a state of emergency for Ohio as a result of the Covid-19 outbreak. On March 10, 2020, the University responded by issuing communications to its faculty and students to begin remote instruction through April 13, 2020 and subsequently through the remainder of the Spring 2020 semester and the Summer semesters. Students moved out of the residence halls and were refunded housing, dining, and parking charges for the remainder of the semester. The total amount refunded for housing and parking during Spring 2020 amounted to approximately $9.4 million. The dining refunds totaling $4.2 million were applied to the liability due to Ararmark and was included in the final guaranteed payment calculation for fiscal year 2020.

University leadership took several steps to ensure the financial stability of the University. On April 27, 2020, President Todd Diacon communicated to the University community the necessary steps the University would take to ensure the short term and long term financial health of the institution and laid out a plan to balance the fiscal year 2021 budget by strategically planning for the worst and working for the best. The details will be further discussed in the Factors Affecting Future Periods sections of this Management's Discussion and Analysis.

To shore up cash reserves through the remainder of fiscal year 2020, the University began shifting a portion of its investment dollars in its intermediate term investment pool. This was due to the anticipation of lost revenue due to declining enrollments and reductions in state support.

To reduce operating expenses and realign organizational units, the University offered a Voluntary Separation Incentive Plan to both faculty and staff which resulted in an accrual of $9.1 million recorded in fiscal year 2020. Overall 292 employees accepted the voluntary separation and the majority separated from the University on June 30, 2020, with an estimated annual gross salary and benefits value of $26.5 million.

In March 2020, the Federal Government passed a stimulus bill that included the Higher Education Emergency Relief Fund which included two provisions for relief to institutions of higher education under the CARES Act. One provision was to provide assistance to students impacted by the coronavirus pandemic (Student CARES) and the other was to provide assistance to the institution for costs associated with the significant change in delivery of instruction (Institutional CARES). Under the CARES Act, the University is eligible for $19.4 million in relief funds, split between the two categories. As of June 30, 2020, the University distributed $6.1 million toward immediate support to its students and $6.1 million was used toward offsetting costs incurred as a result of the pandemic and closure of campuses during the Spring 2020 semester.

Noteworthy Financial Activity (Continued)

The overall financial position of the University has declined when comparing fiscal year 2020 to fiscal year 2019. The University's total assets and deferred outflows of resources declined $61.7 million and total liabilities and deferred inflows of resources decreased by $10.2 million. Overall net position decreased by $51.5 million. Excluding the impacts of GASB 68 and 75, total assets and deferred outflows of resources declined $21.8 million, mostly due to the net decline in short-term and long-term investments of $27.0 million. During fiscal year 2020, the University liquidated $20 million of its intermediate investment pool and continued to transfer cash from STAR Ohio to cover auxiliary revenue losses for operations. This decrease was offset due to an increase in deferred outflows of resources due to the deferred amortization of bond refunding. In fiscal year 2020, the University refunded portions of its 2012A and 2014A debt portfolio, which resulted in the reacquisition price of the bonds exceeding the carrying amount by $13,469. This amount was recorded as a deferred outflow of resources in fiscal year 2020 and will be amortized over the remaining life of the new debt.

Excluding the impacts of GASB 68 and 75, total liabilities and deferred inflows of resources only decreased by approximately $277,000. Excluding the impacts of GASB 68 and 75, the overall net position decreased by $21.5 million.

Highlights of significant events (excluding the impacts of GASB 68 and GASB 75) are as follows:

- Operating revenues decreased by $16.0 million due primarily to student refunding of housing and parking of approximately $9.4 million. Meal plans were also refunded and led to a decrease in the amount of guaranteed return back to the University from Aramark.

- Operating expenses increased $9.9 million. The largest increase in operating expense occurred in scholarships and fellowships expenses which increased $7.0 million, primarily due to additional expenses incurred related to student grants from the Student CARES funding.

- $12.3 million in CARES Act funding for both student and institutional purposes was recognized.

- Gift revenue decreased by $9.1 million due to an overall decrease of requests for funding from the Kent State University Foundation which was most likely due to the limited operations of the University due to the coronavirus pandemic. The majority of gift revenue is donations received by the Foundation for University use.

- Investment income decreased $12.2 million. Although the market ended strong, there was some noteworthy volatility during the last quarter of fiscal year 2020 mostly due to the coronavirus pandemic.

- Interest expense on capital related debt decreased $3.1 million in large part to the refunding that took place in January 2020. See Note 7 for further details.

- Capital appropriations increased $15.2 million due to the timing of completed capital projects. The majority of this was related to the Design Innovation building.

- Short term and long-term investments had a net decrease of $27.0 million primarily due to the liquidation of certain investments in the intermediate term pool totaling $20.0 million and the use of funding invested in STAR Ohio for operations.

Statements of Net Position

The statements of net position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources. Over time, increases or decreases in net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) are one indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts such as enrollment levels and the condition of facilities.

The table below presents condensed balances for the statements of net position:

	(Dollars in Thousands)		
	2020	2019	2018
Assets			
Current	$ 385,172	$ 427,300	$ 444,135
Capital assets	924,830	921,355	929,785
Net OPEB asset	17,522	18,089	-
Other assets	135,734	136,137	135,785
Total assets	$ 1,463,258	$ 1,502,881	$ 1,509,705
Deferred outflows of resources			
Deferred losses from refundings	$ 22,191	$ 9,798	$ 10,831
Accumulated change in derivative instrument - swap liability	6,779	1,906	-
Pensions	77,874	122,791	113,273
OPEB	23,709	18,099	9,281
Total deferred outflows of resources	$ 130,553	$ 152,594	$ 133,385
Total assets and deferred outflows of resources	$ 1,593,811	$ 1,655,475	$ 1,643,090
Liabilities			
Current liabilities	$ 136,956	$ 147,857	$ 141,740
Long-term debt	439,268	426,330	451,598
Net pension liability	401,276	454,384	401,545
Net OPEB liability	116,681	121,253	135,672
Other	65,045	67,359	39,646
Total liabilities	$ 1,159,226	$ 1,217,183	$ 1,170,201
Deferred inflows of resources			
Accumulated change in derivative instrument - swap liability	$ -	$ -	$ 1,841
Pensions	67,940	36,700	51,428
OPEB	44,940	28,426	12,269
Total deferred inflows of resources	$ 112,880	$ 65,126	$ 65,538
Net Position			
Net investment in capital assets	$ 468,747	$ 454,994	$ 441,419
Restricted			
Nonexpendable - permanent endowments	5,883	5,883	5,883
Expendable - loans, gifts and grant programs	11,372	10,884	39,277
Unrestricted (deficit)	(164,297)	(98,595)	(79,228)
Total net position	$ 321,705	$ 373,166	$ 407,351
Total liabilities, deferred inflows and net position	$ 1,593,811	$ 1,655,475	$ 1,643,090

Statements of Net Position (Continued)

The table below presents balances prior to any GASB 68 or GASB 75 adjustment. See pages 3 and 4 for a discussion on the impacts of GASB 68 and GASB 75:

	(Dollars in Thousands)		
	2020	2019	2018
Net position prior to the effects of GASB 68 and 75	$ 833,438	$ 854,950	$ 885,711
Net pension liability adjustment from fiscal year 2015	(410,232)	(410,232)	(410,232)
Net OPEB liability adjustment from fiscal year 2018	(145,116)	(145,116)	(145,116)
Pension revenue in fiscal year 2015	5,925	5,925	5,925
Pension (expense) in fiscal year 2016	(8,118)	(8,118)	(8,118)
Pension (expense) in fiscal year 2017	(37,570)	(37,570)	(37,570)
Pension and OPEB net (expense) in fiscal year 2018	116,751	116,751	116,751
Pension and OPEB net (expense) in fiscal year 2019	(3,424)	(3,424)	-
Pension and OPEB net (expense) in fiscal year 2020	(29,949)	-	-
Cumulative effects of GASB 68 and 75	(511,733)	(481,784)	(478,360)
Net position after the effects of GASB 68 and 75	$ 321,705	$ 373,166	$ 407,351

This table shows just how volatile the impacts of these two standards are to the financial statements and there is no consistency to the adjustments as the assumptions and decisions of each plan can change significantly from year to year. GASB 68 and 75 are discussed further in Note 9 of the financial statements.

Comparison of Fiscal Year 2020 to Fiscal Year 2019
The University's current ratio decreased slightly from 2020 to 2019. At June 30, 2020, the University's current assets of $385.2 million were sufficient to cover current liabilities of $137.0 million (current ratio of 2.8). In fiscal year 2019, current assets were $427.3 million and current liabilities were $147.9 million (current ratio of 2.9).

At June 30, 2020, total University assets and deferred outflows of resources were $1,593.8 million, compared to $1,655.5 million at June 30, 2019. Without the effects of GASB 68 and 75, assets and deferred outflows at June 30, 2020 and June 30, 2019 would be $1,474.7 million and $1,496.5 million. The decrease of $21.8 million is mainly attributed to a decrease in investments due to the liquidation of $20.0 million of intermediate term pool investments and the use of STAR Ohio for the Gateway Master Plan expense and operations.

University liabilities and deferred inflows of resources total $1,272.1 million at June 30, 2020 compared to $1,282.3 million at June 30, 2019. Without the effects of GASB 68 and 75, liabilities and deferred inflows of resources at June 30, 2020 and June 30, 2019 would be $641.3 million and $641.5 million respectively.

Total net position decreased by $51.5 million to $321.7 million. Without the effects of GASB 68 and 75, net position would have decreased by $21.5 million to $833.4 million. The primary drivers are discussed in the statements of revenues, expenses and changes in net position section of this Management's Discussion and Analysis.

Comparison of Fiscal Year 2019 to Fiscal Year 2018

The University's current ratio decreased slightly from 2018 to 2019. At June 30, 2019, the University's current assets of $427.3 million were sufficient to cover current liabilities of $147.9 million (current ratio of 2.9). In fiscal year 2018, current assets were $444.1 million and current liabilities were $141.7 million (current ratio of 3.1).

At June 30, 2019, total University assets and deferred outflows of resources were $1,655.5 million, compared to $1.643.1 million at June 30, 2018. Without the effects of GASB 68 and 75, assets and deferred outflows of resources at June 30, 2019 and June 30, 2018 would have been $1,496.5 million and $1,520.5 million, respectively. The decrease of $24.0 million is mainly attributed to a decrease in short-term investments, primarily STAR Ohio due to use of funds designated for the Gateway Facilities Master Plan and decrease in student tuition revenue.

University liabilities and deferred inflows of resources total $1,282.3 million at June 30, 2019 compared to $1,253.7 million at June 30, 2018. Without the effects of GASB 68 and 75, liabilities and deferred outflows of resources at June 30, 2019 and June 30, 2018 would have been $641.5 million and $634.8 million, respectively. The increase of $6.7 million is primarily due the reclassification of the Perkins loan federal capital contribution (FCC) of $28.7 million offset by a decrease of $25.3 million in long-term debt.

Total net position decreased by $5.7 million to $373.2 million. Without the effects of GASB 68 and 75, net position decreased by $30.8 million to $855 million. The decrease in net position is primarily due to the reclassification of the Perkins loan federal capital contribution to a liability in fiscal year 2019. This reclassification was necessary since the Federal Perkins loan has been terminated which will require the University to pay back the portion provided by the federal government for the program.

Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public University's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The table below presents condensed balances for the statements of revenues, expenses and changes in net position:

	(Dollars in Thousands)		
	2020	2019	2018
Operating revenues:			
Tuition, net	$ 311,336	$ 313,781	$ 319,261
Federal and state grants	33,823	29,917	28,526
Auxiliary activities	54,567	70,120	64,535
Other operating revenue	18,243	20,126	18,041
Total operating revenues	417,969	433,944	430,363
Non-operating revenues:			
State appropriations	153,887	155,044	156,299
Federal Pell grant revenue	45,961	47,729	47,849
Federal CARES Act	12,265	-	-
Other non-operating revenue	40,249	46,200	55,857
Total non-operating revenues	252,362	248,973	260,005
Total revenues	$ 670,331	$ 682,917	$ 690,368
Operating expenses:			
Instruction	$ 249,856	$ 247,785	$ 263,308
Institutional support	81,232	80,853	83,489
Scholarships and fellowships	47,171	40,166	40,079
Auxiliary activities	63,585	67,167	67,758
Pension expense (revenue)	23,049	28,593	(110,295)
OPEB expense (revenue)	6,900	(25,170)	(6,456)
Other operating expense	237,090	233,020	227,787
Total operating expense	708,883	672,414	565,670
Non-operating expense	12,909	16,021	16,561
Perkins loan program reclassification	-	28,667	-
Total expenses	$ 721,792	$ 717,102	$ 582,231

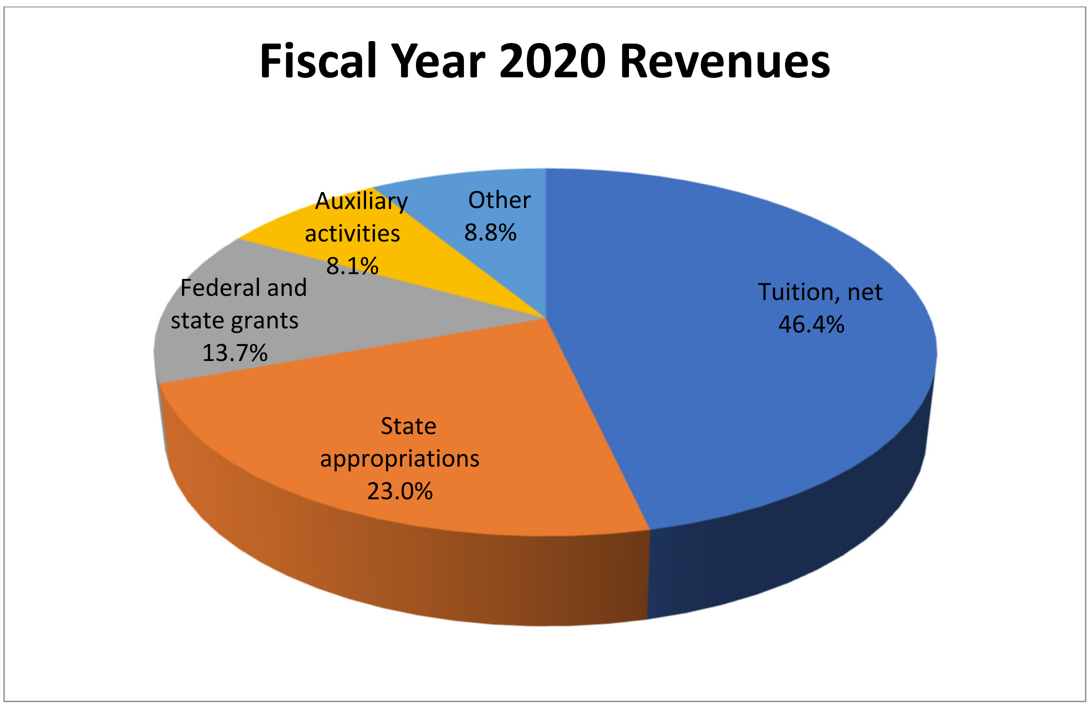
Included in the other operating revenue category on the above table is local and private grant revenue and sales and services of educational activities. Included in the other non-operating revenue category are gifts, investment income, capital appropriations, and other non-operating revenue. Also in fiscal year 2020, a new line item, Federal CARES Act was added.

Statements of Revenues, Expenses and Changes in Net Position (Continued)

Included in the other operating expense category on the above table is research, public service, academic support, student services, operation and maintenance of plant and depreciation expense. In fiscal year 2020, the University reported pension and OPEB expense/(revenue) as separate line items. In prior fiscal years, that expense/(revenue) was allocated based on salaries amongst all the functional expense categories. All the years presented have been reclassified to reflect this change in presentation. The non-operating expense is the interest on capital asset related debt.

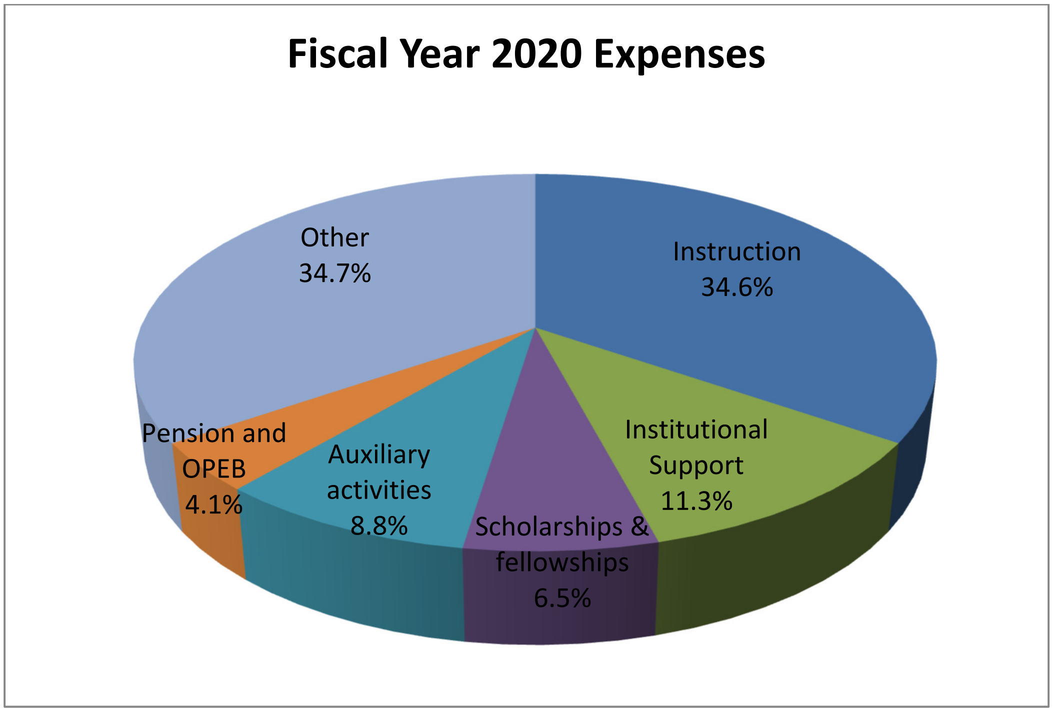
In fiscal year 2019, the University recorded a reclassification of the federal capital contribution for the Perkins loan program to a liability. The federal contributions were included in restricted net position when the University received the funds, however, due to the termination of the Perkins loan program, the University will be obligated to return the funds provided by the federal government therefore the funds have been reclassified as a liability.

The following chart shows the breakdown of total revenues. Tuition is the largest source of revenue at 46.4 percent followed by State appropriations at 23.0 percent.



Statements of Revenues, Expenses and Changes in Net Position (Continued)

The following chart shows the breakdown of total expenses. The two largest expense categories identified in the chart below are instruction at 34.6% and other at 34.7%. Instruction is the largest functional expense category. The other category includes both operating and non-operating expenses as indicated above.



During the year ended June 30, 2020

The most significant sources of revenues for the University are tuition and fees and state appropriations. Operating revenues, which include tuition and fees and auxiliary services, decreased by $16.0 million or 3.7%. The majority of the decrease in operating revenues is due to a decrease in auxiliary revenue of $15.6 million primarily due to the University refunding approximately $9.4 million in housing and parking charges due to the coronavirus pandemic. Also due to refunding of meal plans, the guaranteed return from Aramark decreased in fiscal year 2020. All of the refunding was due to the coronavirus pandemic and the decisions the University made regarding the safety and health of its students, faculty, and staff.

The most significant non-operating revenue is State appropriations. State appropriations totaled $153.9 million in fiscal year 2020, which was a 0.75% decrease over fiscal year 2019. State appropriations received in the last two months of fiscal year 2020 were reduced by $6.1 million due to the anticipated impact of the coronavirus pandemic on State of Ohio revenues. Capital appropriations increased by $15.2 million in fiscal year 2020 mostly due to the completion of the Design Innovation building. In fiscal year 2020, the University also recognized $12.3 million in Federal CARES Act funding for both student and institutional support related to the coronavirus pandemic.

Statements of Revenues, Expenses and Changes in Net Position (Continued)

Operating expenses, including depreciation of $54.6 million, totaled $708.9 million, an increase of $36.5 million over fiscal year 2019. Without the effects of GASB 68 and 75, operating expenses would have been $678.9 million in fiscal year 2020 as compared to $669.0 million in fiscal year 2019, resulting in a $9.9 million dollar increase. This increase is attributed to the following factors: The University offered a voluntary separation incentive plan during fiscal year 2020 and as a result recognized an additional $9.1 million in salary expense due to the accrual recorded in fiscal year 2020; and scholarships and fellowship expense increased $7.0 million in large part to the additional grants provided to students through the CARES Act funding. These increases were offset by decreases in travel of $4.9 million and utilities of $1.9 million, mostly attributable to the coronavirus pandemic as all University sponsored travel was suspended during the 4th quarter of fiscal year 2020 along with the University limiting campus operations, as many buildings were closed or had reduced capacity.

Interest expense on capital related debt decreased $3.1 million due to the partial refunding of the 2012A and 2014A general receipts bonds in January 2020. See Note 7 for further information regarding the University's debt.

During the year ended June 30, 2019

The most significant sources of revenues for the University are tuition and fees and State appropriations. Operating revenues, which include tuition and fees and auxiliary services, increased by $3.6 million or 0.83%. Although tuition revenue declined slightly due to decreasing enrollments, auxiliary revenue increased $5.6 million in fiscal year 2019. Three of the auxiliary units, Dining Services, Athletics, and Residence Services experienced the most significant increase in fiscal year 2019. In fiscal year 2019, Aramark provided an increase in its guaranteed return and Residence Services increased its room rates. The Athletics department continued to increase the football guarantee revenue by adding an additional guarantee and entering into contracts with larger guarantees.

The most significant non-operating revenue is state appropriations. State appropriations totaled $155.0 million in fiscal year 2019, which was a 0.80% decrease over fiscal year 2018. Capital appropriations decreased by $10.0 million in fiscal year 2019 due to the timing of projects completed.

Excluding the impacts of GASB 68 and 75, operating expenses, including depreciation of $54.4 million, totaled $669.0 million, a decrease of $13.4 million over fiscal year 2018. Instruction expense representing the largest expense category for the University decreased by $15.5 million primarily due to the recognition of $7.9 million in expense related to an employee separation plan for faculty that was implemented and recorded in fiscal year 2018 and continued focus on optimizing faculty and staff levels with current enrollment.

As previously mentioned, the University reclassified the federal capital contribution of the Perkins loan program to a liability in fiscal year 2019. This resulted in recognizing additional expense recorded as an extraordinary item below non-operating activity in the amount of $28.7 million. This is a one-time event and resulted in restricted net assets decreasing to $16.8 million.

Capital Asset and Debt Administration

Capital Assets

At the end of 2020, the University had invested $924.8 million in a broad range of capital assets, including equipment, buildings, building improvements and land. This amount represents a net increase (including additions and deductions) of $3.4 million, or .37%, over last year.

Net of depreciation (Dollars in Millions)	2020	2019	2018
Land	$ 32.6	$ 32.6	$ 31.7
Equipment	32.2	32.5	32.1
Buildings and improvements	810.6	813.7	815.0
Construction in progress	49.4	42.6	51.0
Total	$ 924.8	$ 921.4	$ 929.8

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

Debt

At year-end, the University had $469.2 million in bonds and notes outstanding—an increase of $15.3 million over last year, primarily due to the current refunding of portions of the 2012A and 2014A bonds to secure long-term debt service savings. More detailed information about the University's debt is presented in Note 7 to the financial statements.

(Dollars in Millions)	2020	2019	2018
General receipts bonds, backed by the University	$ 402.6	$ 380.0	$ 398.9
Tax revenue energy bonds	23.8	27.3	30.9
Capital leases	42.8	46.6	48.4
	$ 469.2	$ 453.9	$ 478.2

Factors Affecting Future Periods

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, legislative restrictions on tuition, changes in state support, and the ability to manage rising costs. In the upcoming year, the University will also need to meet the challenges of the continuing coronavirus pandemic. For the fall semester 2020, the University will offer a hybrid of courses, offering 60% on-line and 40% in-person. Due to this change and the health and safety concerns of students and parents, enrollment numbers were projected to decrease by approximately 6.5% but ended up being down only 3.1% for the Fall semester.

Factors Affecting Future Periods (Continued)

The University is continuing with its tuition guarantee program implemented in fiscal year 2018 for incoming students. This new cohort will see an increase of 4.1% in tuition rates; but these rates will remain frozen for four years. All continuing non-guarantee students and graduate students will not have an increase in rates for fiscal year 2021. The University's biggest revenue challenge resides in the auxiliary operations, whose revenues are projected to decrease by nearly $28 million, primarily as a result of a decrease of nearly 2,500 students living in residence halls, with a similar decrease in the number of students participating in dining plans. Intercollegiate athletics revenues will also decline dramatically as a result of the postponement of fall sports, thereby negating the anticipated $5.2 million in football revenue from canceled games with Penn State University, the University of Alabama and the University of Kentucky.

State appropriations were reduced by 4.5% for the first quarter of fiscal year 2021 and have the potential of being reduced further during the remainder of fiscal year 2021, with reductions that could be as high as 10%.

Finally, the University was the beneficiary of nearly $14.7 million in CARES Act funding to support reopening activities for the 2020-21 academic year. This funding will provide much needed support of the University's Flashes Safe Seven reopening priorities. The planned expenditures of these funds will be directed to the following priorities:

- **Health Services:** expand activities such as consultations and testing to identify and slow the transmission of COVID-19.
- **Remote Instruction and Learning:** seamlessly deliver the 60% of courses being taught via remote modalities.
- **Space Reconfiguration:** accommodate physical distancing in instructional, lab, residential, administrative and social gathering spaces.
- **Cleaning and Sanitizing:** provide supplies, materials and support needed to safeguard health and well-being.
- **Telework:** improve productivity through enhanced network access, security and collaboration technologies

Even with the above revenue challenges, the University was able to balance its fiscal year 2021 budget. With an understanding that a significant reduction in staffing was inevitable, a four-pronged staffing strategy was quickly developed consisting of 1) a hiring freeze, 2) salary reductions, 3) the Voluntary Separation Incentive Program and 4) job abolishments. These efforts yielded the following:

- Salary reduction: $5.7 million expense reduction, impacting 1,753 employees.
- Memorandums of understanding with the Kent State Chapter of the American Association of University Professors (AAUP), Full-Time Tenured/Tenure-Track and Full-Time Non-Tenure Track Faculty Units delaying salary increases: $2.6 million cost avoidance.
- Voluntary Separation Incentive Program: $26.5 million expense reduction (292 employees, including 53 faculty).
- Abolishing positions: $1.5 million expense reduction (66 employees).

The total combined budget reductions and cost avoidance of the four-pronged staffing strategy is estimated at $36.3 million, with 358 employees leaving the University – a 9% decrease in full-time employee headcount. With this reduction in staffing, the anticipated cost of benefits, specifically healthcare, is expected to decrease by 2%.

Factors Affecting Future Periods (Continued)

In addition to staffing and benefits savings, the University's leadership – deans, vice presidents, chairs and directors – developed budgets in their respective areas under a variety of scenarios. As more clarity emerged in terms of enrollment and SSI, the final planning scenario initiated an aggregate reduction of 10% across the colleges and 20% in the divisions, which yielded total budget reductions of $21.3 million in the colleges and $20.6 million across the vice presidencies.

Even in a year of dramatic budget cuts, the University will nevertheless increase spending on key items driving student safety and success. To address the extreme economic hardships many of our students and their families are experiencing, we have increased the student financial aid budget by $1.6 million. Furthermore, as we reviewed the general fee allocation for the year, we realized that our priorities and expected service levels have changed dramatically in this budget year in response to the pandemic. As a result, we reduced some student fee allocations (e.g., athletics) while enhancing funding for mental health services ($1.6 million) and general health services ($600,000).

Looking forward, the University will continue to be challenged with enrollment due to the region's ongoing demographic decline. As a result, continued efforts will occur to broaden our reach and optimize student aid in order to successfully recruit and enroll students locally as well as from outside Northeast Ohio. The University leadership will also reflect on the ramifications of the pandemic, with particular attention on envisioning what the future will bring. The future may bring changes to the number of areas including the percentage of students living and studying on campus versus remotely, the space requirements for on-campus operations, the increasing need for technology and the current approach to intercollegiate athletics.

Kent State University
(A Component Unit of the State of Ohio)

Statements of Net Position
June 30, 2020 and 2019
(Dollars in Thousands)

	University		University Foundation	
	2020	2019	2020	2019
Assets				
Current assets:				
Cash and cash equivalents	$ 35,127	$ 38,340	$ 2,672	$ 2,910
Short-term investments	317,827	352,117	176,018	183,537
Accounts and pledges receivable, net	24,135	27,768	7,455	8,543
Inventories	902	1,047	-	-
Deposits and prepaid expenses	6,215	7,286	-	-
Accrued interest receivable	966	742	1,955	1,048
Total current assets	385,172	427,300	188,100	196,038
Noncurrent assets:				
Restricted cash	8,358	11,079	-	-
Student loans receivable, net	25,716	30,662	-	-
Note receivable, net	-	-	14,426	14,426
Long-term investments	101,660	94,365	18,680	8,632
Long-term pledges receivable, net	-	-	9,469	10,574
Net OPEB asset	17,522	18,089	-	-
Capital assets, net	924,830	921,355	11,213	11,467
Other assets	-	31	5,075	4,802
Total noncurrent assets	1,078,086	1,075,581	58,863	49,901
Total assets	1,463,258	1,502,881	246,963	245,939
Deferred outflows of resources				
Deferred losses from refundings	22,191	9,798	-	-
Accumulated change in derivative instrument - swap liability	6,779	1,906	-	-
Pensions	77,874	122,791	-	-
OPEB	23,709	18,099	-	-
Total deferred outflows of resources	130,553	152,594	-	-
Total assets and deferred outflows of resources	$ 1,593,811	$ 1,655,475	$ 246,963	$ 245,939
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	37,001	48,333	560	477
Accrued payroll	14,083	14,416	-	-
Payroll taxes and accrued fringe benefits	20,518	22,038	-	-
Unearned revenue and deposits	28,671	33,570	-	-
Derivative instrument - swap liability	6,779	1,906	-	-
Current portion of long-term debt	29,904	27,594	-	-
Total current liabilities	136,956	147,857	560	477
Noncurrent liabilities:				
Accrued compensated absences	25,017	22,078	-	-
Accrued liabilities	39,243	44,579	3,908	4,019
Net pension liability	401,276	454,384	-	-
Net OPEB liability	116,681	121,253	-	-
Unearned revenue and deposits	785	702	10,713	10,830
Debt, net	439,268	426,330	9,734	9,734
Total noncurrent liabilities	1,022,270	1,069,326	24,355	24,583
Total liabilities	1,159,226	1,217,183	24,915	25,060
Deferred inflows of resources				
Pensions	67,940	36,700	-	-
OPEB	44,940	28,426	-	-
Total deferred inflows of resources	112,880	65,126	-	-
Net Position				
Net investment in capital assets	468,747	454,994	-	-
Restricted				
Nonexpendable - permanent endowments	5,883	5,883	86,073	83,200
Expendable - loans, gifts and grant programs	11,372	10,884	117,344	120,023
Unrestricted (deficit)	(164,297)	(98,595)	18,631	17,656
Total net position	321,705	373,166	222,048	220,879
Total liabilities, deferred inflows and net position	$ 1,593,811	$ 1,655,475	$ 246,963	$ 245,939

See notes to financial statements.

Kent State University
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019
(Dollars in Thousands)

	University		University Foundation	
	2020	2019	2020	2019
Operating revenues:				
Student tuition and fees	$ 406,071	$ 407,921	$ -	$ -
Less scholarship allowances	(94,735)	(94,140)	-	-
Net student tuition and fees	311,336	313,781	-	-
Federal grants and contracts	24,022	21,894	-	-
State grants and contracts	9,801	8,023	-	-
Local grants and contracts	175	236	-	-
Nongovernmental grants and contracts	5,532	5,180	-	-
Sales and services of educational activities	12,536	14,710	-	-
Auxiliary activities, net of allowances for student scholarships of $5,814 and $6,399 for June 30, 2020 and 2019, respectively	54,567	70,120	-	-
Total operating revenues	417,969	433,944	-	-
Operating expenses:				
Instruction	249,856	247,785	-	-
Research	20,780	17,947	-	-
Public service	14,346	13,850	-	-
Academic support	64,195	65,435	-	-
Student services	39,971	38,729	-	-
Institutional support	81,232	80,853	9,802	12,173
Scholarships and fellowships	47,171	40,166	6,398	5,350
Operation and maintenance of plant	43,176	42,668	-	-
Auxiliary activities	63,585	67,167	-	-
Pension expense	23,049	28,593	-	-
OPEB expense (revenue)	6,900	(25,170)	-	-
Depreciation	54,622	54,391	254	254
Total operating expenses	708,883	672,414	16,454	17,777
Net operating loss	(290,914)	(238,470)	(16,454)	(17,777)
Nonoperating revenues (expenses):				
State appropriations	153,887	155,044	-	-
Federal Pell Grant revenue	45,961	47,729	-	-
Federal CARES Act	12,265	-	-	-
Gifts	2,145	11,220	15,619	17,237
Investment income, net	12,783	24,986	3,499	7,086
Interest on debt	(12,909)	(16,021)	-	-
Other nonoperating revenues (expenses)	4,549	4,443	(1,495)	121
Net nonoperating revenues	218,681	227,401	17,623	24,444
(Loss) income before other revenues, expenses, gains or losses	(72,233)	(11,069)	1,169	6,667
Other revenues, expenses, gains or losses				
Capital appropriation	20,772	5,551	-	-
Perkins loan program reclassification	-	(28,667)	-	-
Total other revenues, expenses, gains or losses	20,772	(23,116)	-	-
Change in net position	(51,461)	(34,185)	1,169	6,667
Total net position at beginning of year	373,166	407,351	220,879	214,212
Total net position at end of year	$ 321,705	$ 373,166	$ 222,048	$ 220,879

See notes to financial statements.

Kent State University
(A Component Unit of the State of Ohio)

Statements of Cash Flows
Years Ended June 30, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Cash flows from operating activities:		
Student tuition and fees	$ 205,195	$ 212,436
Auxiliary activities	55,159	69,526
Other sources	14,634	17,005
Grants and contracts	39,037	34,482
Payments for employee compensation and benefits	(334,587)	(318,357)
Payments to vendors for services and materials	(195,648)	(192,382)
Net cash used in operating activities	(216,210)	(177,290)
Cash flows from noncapital financing activities:		
State appropriations for instruction funds	153,887	155,044
Gifts	2,135	11,220
Cash received from Federal Pell grants	45,961	47,729
Cash received from CARES Act grants	12,265	-
Student loans granted, net of repayments	(390)	5,941
Net cash provided by noncapital financing activities	213,858	219,934
Cash flows from capital and related financing activities:		
Principal payments on outstanding debt	(22,580)	(22,672)
Proceeds from debt issue	29,226	-
Interest paid	(17,114)	(19,985)
Payments to construct, renovate or purchase capital assets	(37,298)	(40,479)
Other capital and related receipts	6,822	9,763
Net cash used in capital and related financing activities	(40,944)	(73,373)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	49,827	46,346
Purchases of investments	(27,337)	(29,418)
Other investment income	14,872	15,880
Net cash provided by investing activities	37,362	32,808
Net (decrease) increase in cash and cash equivalents	(5,934)	2,079
Cash and cash equivalents, including restricted cash:		
Beginning	49,419	47,340
Ending	$ 43,485	$ 49,419

(Continued)

Kent State University
(A Component Unit of the State of Ohio)

Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Reconciliation of net operating loss to net cash flows used in operating activities:		
Net operating loss	$ (290,914)	$ (238,470)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	54,622	54,391
Adjustments to reconcile change in net position to net cash used in operating activities:		
Accounts and pledges receivable, net	3,643	1,615
Inventories	145	(84)
Deposits and prepaid expenses	1,071	(700)
Net OPEB asset	567	(18,089)
Deferred outflows of pension resources	44,917	(9,518)
Deferred outflows of OPEB resources	(5,610)	(8,818)
Accounts payable and accrued liabilities	(10,995)	1,269
Net pension liability	(53,108)	52,839
Net OPEB liability	(4,572)	(14,419)
Accrued payroll	(333)	342
Payroll taxes and accrued fringe benefits	(1,520)	1,745
Unearned revenue and deposits	(4,816)	126
Accrued compensated absences	2,939	(948)
Deferred inflows of pension resources	31,240	(14,728)
Deferred inflows of OPEB resources	16,514	16,157
Net cash used in operating activities	$ (216,210)	$ (177,290)

Noncash capital and financing activities:

During the year ended June 30, 2020, the University issued General Receipts Bonds in the amount of $195,355. The bond proceeds were used for a partial advance refunding on the Series 2012A and 2014A bonds for $158,170. See Note 7 for further discussion.

During the year ended June 30, 2019, the University issued General Receipts Bonds in the amount of $19,595. The bond proceeds were used for a partial advance refunding on the Series 2009B bonds for $10,300. See Note 7 for further discussion.

During the years ended June 30, 2020 and 2019, the University received non-cash capital appropriations from the State in the amount of $20,772 and $5,551, respectively.

During the year ended June 30, 2019, the federal capital contribution for the Perkins loan program of $28,667 was reclassified to a liability from restricted net position.

See notes to financial statements.

Note 1. Reporting Entity and Basis of Presentation

Reporting entity: Kent State University (the University) is an institution of higher education and is considered to be a component unit of the State of Ohio (the "State") because its Board of Trustees is appointed by the governor of the State. The University is classified as a state instrumentality under Internal Revenue Code Section 115 and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

In accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100: *Defining the Financial Reporting Entity,* the University's financial statements are included, as a discretely presented component unit, in the State's Comprehensive Annual Financial Report.

Furthermore, in accordance with GASB Codification Section 2600: *Reporting Entity and Component Unit Presentation and Disclosure,* the Kent State University Foundation (the Foundation) is included as a discretely presented component unit in a separate column in these financial statements to emphasize that it is legally separate from the University. The Foundation, which is a separate not-for-profit organization, meets the criteria set forth in the Codification Section 2600 due to its significant operational and financial relationship with the University. Note 12 provides additional information on the Foundation. Certain disclosures concerning the Foundation are not included because it has been audited separately and reports have been issued under separate cover. Financial statements for the Foundation may be obtained by writing to Kent State University Foundation, Kent, Ohio 44242.

Additionally, the financial statements of the University include the operations of its blended component unit KSU Foot and Ankle Clinic dba The Cleveland Foot and Ankle Clinic (the Clinic). This entity was included in the July 1, 2012 merger of the University with the Ohio College of Podiatric Medicine. The Clinic is a separate 501(c)(3) organization whose main purpose is to provide clinical experience for students of the KSU College of Podiatric Medicine. The Clinic almost exclusively benefits the University even though services are provided to the public and the University is the sole member of the Clinic. Therefore, according to the provisions of GASB Statement No. 61, the Clinic is considered a blended component unit of the University. See Note 12 for further discussion and presentation of condensed financial information for the Clinic.

Basis of presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

> **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Capital related debt is offset by unspent bond proceeds, if any.
>
> **Restricted, nonexpendable –** Net position subject to externally imposed stipulations that the University maintain such assets permanently.
>
> **Restricted, expendable:** Net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
>
> **Unrestricted:** Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by actions of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and research programs, capital projects and other initiatives. Generally, it is the University's policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted resources are available.

Note 1. Reporting Entity and Basis of Presentation (Continued)

The financial statements of the University have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the related liability has been incurred. For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement Nos. 34 and 35.

Note 2. Summary of Significant Accounting Policies

Cash and cash equivalents: The University considers cash, time deposits and all other highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash is cash in loan fund bank accounts, unspent bond proceeds held in trust related to various campus enhancements and energy conservation projects, as well as minor petty cash funds for various research projects.

Investments: Investments that are market traded are recorded at fair market value. The value of holdings of non-publicly traded funds is based on the funds' net asset value as supplied by the funds' investment manager. Investment income is recorded on the accrual basis and purchases and sales of investments are recorded on a trade-date basis.

Accounts receivable, net: Accounts receivable are for transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. The allowance for doubtful accounts is determined based on management's judgment of potential uncollectible amounts, based on historical experience and type of receivable.

Inventories: Inventories are stated at the lower of first-in, first-out cost or market.

Capital assets: Capital assets are stated at cost at the time of purchase or acquisition value at date of gift. Depreciation of plant physical properties is provided on a straight-line basis over the estimated useful lives (3 to 40 years) of the respective assets.

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

Accrued compensated absences: Per University policy, faculty and staff earn vacation up to a maximum of 25 days per year with a maximum accrual of 75 days. Upon termination, they are entitled to a payout of their accumulated balance. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2020 and 2019 was $20,617 and $18,078, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro-rata monthly basis for salaried employees and on a pro-rata hourly basis for classified hourly employees). Employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). The liability for accrued sick leave at June 30, 2020 and 2019 was $4,400 and $4,000, respectively.

Note 2. Summary of Significant Accounting Policies

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

Bond premiums, discounts and issuance costs: Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized as an expense in the period incurred.

Deferred outflows/inflows of resources: Deferred outflows of resources are a consumption of net position by the University that is applicable to a future reporting period. Deferred outflows of resources of the University consist of certain changes in the net pension liability and net OPEB liability not included in pension expense and OPEB expense, as well as deferred losses on bond refundings and accumulated changes in hedging derivatives related to the interest rate swap. Employer contributions to the pension plan and OPEB plan subsequent to the measurement date of the net pension liability and OPEB liability, respectively, are also required to be reported as a deferred outflow of resources of the University. Deferred inflows of resources are an acquisition of net positions by the University that is applicable to a future reporting period. Deferred inflows of resources consist of certain changes in net pension liability not included in pension expense and net OPEB liability not included in OPEB expense.

Operating and nonoperating revenues and expenses: The University defines operating activities for purposes of reporting on the statements of revenues, expenses and changes in net position as those activities that generally result from exchange transactions such as payments received for providing goods or services and payments made for services or goods received. Substantially all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as required by GASB Statement No. 35, including state appropriations, Federal Pell grant revenue, investment income, and state capital grants.

Revenue recognition: The University recognizes tuition, fees and other student charges as goods and services are provided to customers and constituencies of the institution. State appropriations are recognized when received or made available. Restricted funds are recognized as revenue when all eligibility requirements have been met for grants and contracts when earned. Gifts are recognized when received.

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

Subsequent events: The University has evaluated subsequent events occurring between the end of our most recent fiscal year and October 15, 2020, the date the financial statements were available to be issued. See Note 14 for further discussion.

Recent and pending accounting pronouncements: Effective May 2020, the University adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities and the focus of the criteria generally is on (1) whether the government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2018. GASB Statement No. 95 postponed the effective date to reporting periods beginning after December 15, 2019. The provisions of this statement are now effective for the University's financial statements for the year ending June 30, 2021. The University is currently evaluating the impact of this standard.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2019. GASB Statement No. 95 postponed the effective date to reporting periods beginning after June 15, 2021. The provisions of this statement are now effective for the University's financial statements for the year ended June 30, 2022. The University is currently evaluating the impact of this standard. However, based on the operating leases in effect today, the new lease standard is not expected to have a significant effect on the University's financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. 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 this Statement were originally effective for reporting periods beginning after December 15, 2019. GASB Statement No. 95 postponed the effective date to reporting periods beginning after December 15, 2020. The adoption of this statement is not expected to have a material impact on the University's financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in cash flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2018. GASB Statement No. 95 postponed the effective date to reporting periods beginning after December 15, 2019. The provisions of this statement are now effective for the University's financial statements for the year ending June 30, 2021. The University has not yet determined the impact this statement will have on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

Note 2. Summary of Significant Accounting Policies (Continued)

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2020. GASB Statement No. 95 postponed the effective date to reporting periods beginning after December 15, 2021. The provisions of this statement are now effective for the University's financial statements for the year ending June 30, 2023. The University has not yet determined the impact this statement will have on the financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020.* The objectives of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement were originally effective for reporting periods beginning after June 15, 2020. GASB Statement No. 95 postponed the effective date to reporting periods beginning after June 15, 2021. The provisions of this statement are now effective for the University's financial statements for the year ending June 30, 2022. The University has not yet determined the impact this statement will have on the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which GASB defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The provisions of this statement are now effective for the University's financial statements for the year ending June 30, 2023. The University has not yet determined the impact this statement will have on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

Note 2. Summary of Significant Accounting Policies (Continued)

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The provisions of this statement are now effective for the University's financial statements for the year ending June 30, 2023. The University has not yet determined the impact this statement will have on the financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. The provisions of this statement are now effective for the University's financial statements for the year ending June 30, 2022. The University has not yet determined the impact this statement will have on the financial statements.

(Dollars in Thousands)

Note 3. Cash, Cash Equivalents and Investments

Cash and cash equivalents: Custodial credit risk on deposits with banks is the risk that in the event of a bank failure, the University's deposits may not be available or returned. The University does not have a deposit policy for custodial credit risk. At June 30, 2020 and 2019, the bank amount of the University's deposits was $36,575 and $47,608, respectively. Of that amount, $36,445 and $43,886, respectively, was insured. The remaining $131 and $3,722 at June 30, 2020 and 2019, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

Investments: The University investment policy sets forth the mission to provide sustainable investment returns to fund current and future financial objectives with commensurate risk and return objectives based on multiple investment timeframes.

The investment policy parallels state law, which requires an amount equal to at least 25 percent of the University's investment portfolio be invested in securities of the United States government or one of its agencies or instrumentalities, the treasurer of the State of Ohio's pooled investment program, obligations of the State of Ohio, or any political subdivision of the State of Ohio, certificates of deposit of any national bank located in the State of Ohio, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds or bankers' acceptances maturing in 270 days or less which are eligible for purchase by the federal reserve system.

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) and STAR Plus. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2020. STAR Plus enables all STAR Ohio participants to generate a competitive yield on cash deposits in a network of carefully selected Federal Deposit Insurance Corporation (FDIC) insured banks via a single, convenient account. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

The values of investments at June 30 are as follows:

	2020		2019	
	Market	Cost	Market	Cost
Private equities	$ 101,660	$ 89,855	$ 94,365	$ 84,615
Mutual funds:				
Fixed income	149,683	150,458	165,918	165,584
Equity	128,516	133,586	134,922	134,541
STAR Ohio	39,628	39,628	51,277	51,277
Total	$ 419,487	$ 413,527	$ 446,482	$ 436,017

(Dollars in Thousands)

Note 3. Cash, Cash Equivalents and Investments (Continued)

Net appreciation/depreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the years ended June 30, 2020 and 2019, the University realized a net realized gain of $5,832 and $6,202, respectively. The calculation of realized gains and losses is independent of the net appreciation/depreciation in the fair value of investments held at year-end. The net appreciation in the fair value of investments during the years ended June 30, 2020 and 2019 was $1,888 and $13,773, respectively. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year.

The unrealized (depreciation) appreciation on investments for the years ended June 30, 2020 and 2019 was ($3,944) and $7,571, respectively.

The components of the net investment income at June 30 are as follows:

	2020	2019
Interest and dividends, net	$ 10,895	$ 11,213
Net appreciation in market value of investments	1,888	13,773
Total net investment income	$ 12,783	$ 24,986

GASB Statement 40, *Deposit and Investment Risk Disclosures – an Amendment to GASB Statement No. 3,* requires certain additional disclosures related to the interest rate and credit risks amongst other things associated with interest-bearing investments.

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

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

	2020				
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Fixed income mutual funds	$ 149,683	$ 14,175	$ 46,264	$ 36,303	$ 52,941

	2019				
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Fixed income mutual funds	$ 165,918	$ 7,695	$ 50,465	$ 45,908	$ 61,850

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

(Dollars in Thousands)

Note 3. Cash, Cash Equivalents and Investments (Continued)

The credit ratings of the University's interest-bearing fixed income mutual fund investments at June 30 are as follows:

	2020	2019
Credit Rating (S&P):		
AAA	$ 4,501	$ 4,173
AA+	40,325	53,263
AA	21,251	21,596
AA-	2,224	1,768
A+	2,497	1,877
A	4,027	4,579
Other (not rated)	74,858	78,662
Total	$ 149,683	$ 165,918

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2020 and 2019, the University had no exposure to foreign currency risk.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University held the following investments that had fair values of 5 percent or more of total investments as of June 30:

	2020	2019
SEI World Equity	$ 67,133	$ 68,277
SEI High Yield Bond Fund	24,418	25,302
SEI Core Fixed Income Fund	73,070	69,695
SEI Core Property Fund, LP	26,602	25,812
SEI Hedge Fund SPC	43,949	42,897

Note 4. Fair Value Measurements

Fair value is defined in the accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by GASB. Assets and liabilities carried at fair value are required to be classified and disclosed in one of the following three categories: Level 1: Quoted prices in active markets for identical assets/liabilities as of the report date. The quoted market prices are from those securities traded on an active exchange such as the New York Stock Exchange, NASDAQ or an active over-the-counter market; Level 2: Significant other observable inputs including prices quoted in active markets for similar assets/liabilities, and Level 3: Inputs which are unobservable included the University's own assumptions in determining the fair value of investments or liabilities.

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

(Dollars in Thousands)

Note 4. Fair Value Measurements (Continued)

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

	2020			
	Level 1	Level 2	Level 3	Total
Investments assets:				
Fixed income mutual funds	$ 149,683	$ -	$ -	$ 149,683
Equity securities	128,971	-	-	128,971
Private equity funds - international	-	-	12,589	12,589
	$ 278,654	$ -	$ 12,589	$ 291,243
Investments measured at net asset value (NAV):				
Equity funds				12,153
Multi-strategy hedge funds				48,820
U.S. core real estate				27,643
Total investments assets				$ 379,859
Derivative instruments:				
Interest rate swap liability	$ -	$ (6,779)	$ -	$ (6,779)

	2019			
	Level 1	Level 2	Level 3	Total
Investments assets:				
Fixed income mutual funds	$ 165,918	$ -	$ -	$ 165,918
Equity securities	134,923	-	-	134,923
Private equity funds - international	-	-	12,729	12,729
	$ 300,841	$ -	$ 12,729	313,570
Investments measured at net asset value (NAV):				
Equity funds				7,162
Multi-strategy hedge funds				47,651
U.S. core real estate				26,822
Total investments assets				$ 395,205
Derivative instruments:				
Interest rate swap liability	$ -	$ (1,906)	$ -	$ (1,906)

Short-term investments on the statements of net position at June 30, 2020 and 2019 includes investments of STAR Ohio of $39,628 and $51,277, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above.

(Dollars in Thousands)

Note 4. Fair Value Measurements (Continued)

Fixed income mutual funds and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. The interest rate swap liability which is classified in Level 2 of the fair value hierarchy is estimated using the regression analysis method for fair value. The regression analysis method evaluates the effectiveness of the swap by considering the statistical relationship between the cash flows or fair values of the potential hedging derivative instrument and the hedged item.

The fair value of private equity funds classified in Level 3 at June 30, 2020 and 2019 is determined primarily based upon information received from the Investee Funds (such as investor reports and audited financial statements), discounted cash flow analysis or a market-multiple based approach. The University records the fair value of these investments using estimated values obtained from the fund managers. Investments in the private equity class above can never be redeemed with the funds. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

The fair value of the swap is estimated using the zero-coupon method and also reflects the effect of nonperformance risk. This method calculates the future net settlement payments required by the agreements, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discontinued using the spot rate implied by the current relevant yield curve that incorporates the risk of nonperformance of the University, as applicable, on the date of each future net settlement on the agreements.

The University holds shares or interests in investment companies whereby the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year-end, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	Fair Value		Unfunded	Redemption Frequency,	Redemption Notice
	2020	2019	Commitments	if Eligible	Period
Equity funds	$ 12,153	$ 7,162	$ 24,228	None	None
Multi-strategy hedge funds	48,820	47,651	-	Monthly	10 days
U.S. core real estate	27,643	26,822	-	Quarterly	95 days
Total	$ 88,616	$ 81,635	$ 24,228		

The equity funds class includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to adjust investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

The multi-strategy hedge funds class invests in hedge funds that pursue multiple strategies across a variety of specialties to diversify risks and reduce volatility. The hedge funds' composite portfolio for this class includes, but is not limited to, U.S. and non-U.S. common stocks, global real estate, various fixed-income and credit investments, arbitrage transactions, and hedging instruments.

The U.S. core real estate class is a pooled investment hedge fund seeking both current income and long-term capital appreciation principally through investing in commercial real estate properties.

(Dollars in Thousands)

Note 5. Accounts and Student Loans Receivable, Net

Accounts and student loans receivable consist of the following at June 30:

	2020	2019
Accounts receivable:		
Sponsor accounts	$ 5,366	$ 5,536
Student accounts	15,537	17,430
Other	8,813	11,493
Total accounts receivable	29,716	34,459
Less allowances for doubtful accounts	(5,581)	(6,691)
Net accounts receivable	$ 24,135	$ 27,768
Student loans receivable	$ 31,986	$ 37,667
Less allowances for student loans receivable	(6,270)	(7,005)
Net student loans receivable	$ 25,716	$ 30,662

Note 6. Capital Assets

Capital assets and accumulated depreciation as of June 30 are summarized as follows:

	2020			
	Beginning Balance	Additions/ Transfers	Net Retirements	Ending Balance
Land	$ 32,581	$ -	$ -	$ 32,581
Infrastructure	154,564	10,509	(63)	165,010
Buildings	1,270,909	33,790	-	1,304,699
Equipment	232,004	7,063	(2,080)	236,987
Construction in progress	42,635	6,746	-	49,381
Total capital assets	1,732,693	58,108	(2,143)	1,788,658
Less accumulated depreciation				
Infrastructure	(93,509)	(6,031)	93	(99,447)
Buildings	(518,448)	(41,163)	-	(559,611)
Equipment	(199,381)	(7,347)	1,958	(204,770)
Total accumulated depreciation	(811,338)	(54,541)	2,051	(863,828)
Total capital assets, net	$ 921,355	$ 3,567	$ (92)	$ 924,830

(Dollars in Thousands)

Note 6. Capital Assets (Continued)

Included in depreciation expense of $54,622 for the year ended June 30, 2020 is a loss of $81 from the disposal of obsolete capital assets. As of June 30, 2020, assets acquired under a capital lease obligation totaled $59,322 and the associated amortization expense on those assets is included in depreciation expense. During fiscal year 2020, amortization of $2,404 was recorded.

Capital assets consist of the following as of June 30:

	2019			
	Beginning Balance	Additions/ Transfers	Net Retirements	Ending Balance
Land	$ 31,687	$ 894		$ 32,581
Infrastructure	136,941	17,623	-	154,564
Buildings	1,248,231	27,126	(4,448)	1,270,909
Equipment	230,208	8,756	(6,960)	232,004
Construction in progress	51,004	(8,369)	-	42,635
Total capital assets	1,698,071	46,030	(11,408)	1,732,693
Less accumulated depreciation				
Infrastructure	(87,827)	(5,682)	-	(93,509)
Buildings	(482,390)	(39,524)	3,466	(518,448)
Equipment	(198,069)	(7,284)	5,972	(199,381)
Total accumulated depreciation	(768,286)	(52,490)	9,438	(811,338)
Total capital assets, net	$ 929,785	$ (6,460)	$ (1,970)	$ 921,355

Included in depreciation expense of $54,391 for the year ended June 30, 2019 is a loss of $1,901 from the disposal of obsolete capital assets. As of June 30, 2019, assets acquired under a capital lease obligation totaled $59,297 and the associated amortization expense on those assets is included in depreciation expense. During fiscal year 2019, amortization of $2,306 was recorded.

Note 7. Debt, Net

General receipt bonds: In January 2020, the University issued $195,355 in General Receipt Bonds. The Series 2020A General Receipts Bonds in the amount of $22,530 and Series 2020B General Receipts Bonds in the amount of $172,825. The proceeds from the Series 2020A issuance will be used to fund the construction of a new parking deck on Main Street or to finance other University facilities. Due to the coronavirus pandemic, the construction of this facility has been postponed. The proceeds from the Series 2020B issuance were used to refund a portion of the 2012A and 2014A General receipts bonds. As a result, that portion of the bonds were considered defeased and the liability removed from the University's long-term obligations. The partial refunding was undertaken to achieve debt service savings, which resulted in reduced debt service payments by approximately $26,600. For this partial refunding, the reacquisition price exceeded the net carrying amount of the Series 2012A and 2014A bonds by $13,469. The unamortized difference of $13,214 at June 30, 2020 is reported in the statements of net position as a deferred outflow of resources and will be amortized over the remaining term of the debt.

Note 7. Debt, Net (Continued)

In connection with the issuance of the Series 2020A General Receipts bonds, the University also recognized a net bond premium totaling $5,639, which is being amortized over the life of the bond.

In April 2019, the University issued $19,595 in Series 2019 General Receipts bonds. The proceeds from the bond sale were used to refund the remaining Series 2009B General Receipts bonds. The refunding was undertaken to achieve debt service savings resulting in reduced debt service payments by approximately $4,200 at the time. As of June 30, 2020, the outstanding principal balance of the Series 2019 General Receipts bonds was $18,970. In connection with the issuance of the Series 2019 General Receipts bonds, the University also recognized a net bond premium totaling $4,381, which will be amortized against interest expense over the life of the bond. As of June 30, 2020, the unamortized net bond premium was $3,922.

In April 2016, the University issued $103,590 in Series 2016 General Receipts bonds. The proceeds from the bond sale were used for a partial advanced refunding of the Series 2009B General Receipts bonds. The partial advance refunding was undertaken to achieve debt service savings. This refunding transaction reduced debt service payments by approximately $12,600 and resulted in an economic gain of $11,300. For this partial advance refunding, the reacquisition price exceeded the net carrying amount of the old debt by $11,211. The unamortized difference of $8,097 at June 30, 2020 is reported in the statements of net position as a deferred outflow of resources and will be amortized over the remaining term of the debt. As of June 30, 2020, the outstanding principal of the 2016 General Receipts bond was $93,900. In connection with the issuance of the Series 2016 General Receipts bonds, the University also recognized a net bond premium totaling $21,825, which is being amortized over the life of the bond. As of June 30, 2020, the unamortized net bond premium was $10,904.

During fiscal year 2014, the University issued $28,415 in Series 2014A General Receipts bonds. The proceeds from the bond sale were used for renovating, equipping and furnishing University residence hall facilities at the University's Tri-Towers complex. As of June 30, 2020, the outstanding principal of the 2014A bonds was $2,565 due to the partial current refunding of these bonds in January 2020. In connection with the bond issuance, the University also recognized a net bond premium totaling $1,894, which is being amortized over the life of the bond. As of June 30, 2020, the unamortized net bond premium was $288.

In April 2013, the University issued $60,000 in Series 2013A General Receipts bonds. The proceeds from the bond sale were used for the early redemption of Series 2008B General Receipts bond with an outstanding principal balance of $60,000. As of June 30, 2020, the outstanding principal of the 2013A General Receipts bonds was $60,000.

In June 2012, the University issued $170,000 in Series 2012A General Receipts bonds. The proceeds from the bond sale were used for constructing, renovating, equipping and furnishing various University academic, administrative and other campus buildings. As of June 30, 2020, the outstanding principal of the 2012A bonds was $8,015 due to the partial current refunding of these bonds in January 2020. In connection with the bond issuance, the University also recognized a net bond premium totaling $16,185 which is being amortized over the life of the bond. As of June 30, 2020, the unamortized net bond premium was $2,990.

Note 7. Debt, Net (Continued)

All of the various General Receipt bonds, through their respective trust agreements, are subject to mandatory or optional redemption.

Events of default on the University's general receipts bonds, subject to the agreements, may result from failure to pay principal and interest when due, or failure to perform under bond covenants and agreements as identified by the bond trustee. The bonds contain an acceleration clause in which in the event of the occurrence of any default, the trustee may, and upon the request of the holders of at least 25 percent of the principal amount of the then outstanding bonds must, so long as properly indemnified, by appropriate notice to the University declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued on those bonds to be due and payable immediately.

The indebtedness created through the issuance of General Receipts' bonds is collateralized by a pledge of all general receipts, excluding state appropriations and monies received for restricted purposes. The primary source of funds being deposited to service the principal and interest requirements is student fees.

Ohio Air Quality Development Authority Bonds: During fiscal year 2013, the University entered into a loan agreement with the Ohio Air Quality Development Authority for a total of $24,947, with $17,447 in Series A bonds and $7,500 in Series B bonds. The proceeds were used to fund the University's energy efficiency and conservation projects at its Kent campus. As of June 30, 2020, the outstanding principal of Series A and Series B bonds was $5,235 and $7,500, respectively.

During fiscal year 2011, the University entered into two separate loan agreements with the Ohio Air Quality Development Authority. The first loan agreement totaled $5,388, with $2,694 in Series A bonds and $2,694 in Series B bonds. The proceeds were used to fund the University's energy efficiency and conservation projects at its Ashtabula, East Liverpool, Geauga, Salem and Trumbull campuses. As of June 30, 2020, the outstanding principal of the Series B bonds was $2,096. The Series A bonds were fully paid in fiscal year 2019. The second loan agreement totaled $20,000, with $13,000 in Series A bonds and $7,000 in Series B bonds. The proceeds were used to fund the University's energy efficiency and conservation projects for its Residence Hall and Dining Services auxiliary units. As of June 30, 2020, the outstanding principal of the Series A and Series B bonds was $1,921 and $7,000, respectively.

During fiscal year 2010, the University entered into a loan agreement with the Ohio Air Quality Development Authority for a total of $1,344. The Ohio Air Quality Authority issued $672 in 2010 Series A bonds and $672 in 2010 Series B bonds, with the proceeds being used to fund the University's energy efficiency and conservation project at its Stark campus. The Series B bonds were fully paid during the year ended June 30, 2020. The Series A bond was fully paid in fiscal year 2016.

Capital leases: During fiscal year 2016, the University entered into a capital lease agreement with Banc of America Public Capital Corporation to finance projects associated with the University's continued energy and conservation initiatives on its Kent campus. Payments will continue through fiscal year 2031 and carry an interest rate of 2.01%. The outstanding principal as of June 30, 2020 was $15,085.

Note 7. Debt, Net (Continued)

In fiscal year 2015, the University entered into a capital lease agreement with the Portage County Port Authority to finance the construction of the Center for Philanthropy and Alumni Engagement for $17,025. The University had a capital lease with the Portage County Port Authority for 3.75 acres of property near the northwest edge of the Kent campus for $3,680 beginning in fiscal year 2013. This is the land where the new building resides. The two leases were combined totaling $20,460 with principal payments beginning in fiscal year 2016. Payments will continue through fiscal year 2028 and carry an interest rate of 3.26%. As of June 30, 2020, the principal balance was $12,905. The University and the Foundation entered into a sublease agreement in January 2016. The sublease meets the capitalization criteria and is recorded as an asset and liability on the Foundation's financial statements. See Note 11 for additional information regarding this related party transaction.

In fiscal year 2011, the University entered into a capital lease agreement with Fairmount Properties, LLC to construct a building for its Twinsburg location (programs are operated out of the University's Geauga campus), which the University will lease for a period of 30 years. Payments will continue through fiscal year 2043 and carry an interest rate of 6.35%. As of June 30, 2020, the total outstanding principal on the capital lease was $11,789.

All of the Ohio Air Quality Development Authority loan agreements and capital lease agreements are considered direct placements. Events of default on the University's direct borrowings subject to the agreements, may result from failure to pay principal and interest due, or failure to perform under the agreements as identified by the borrower. The direct placement agreements contain an acceleration clause in which in the event of the occurrence of any default, the borrower may, so long as properly indemnified, by appropriate notice to the University declare the principal of all loans or leases then outstanding (if not then due and payable) and the interest accrued on those loans or leases to be due and payable immediately. Further, the lease agreements contain possession clauses that allow the borrower to take possession of the assets as a remedy.

For the Ohio Air Quality Development Authority loans, the loan payments are made from available receipts, but not secured by a pledge or lien on available receipts. For the loan agreement with Banc of America Public Capitol Corporation, as security for payment and performance of the University's obligation, the University grants the borrower a first priority security interest constituting a first lien. There is a pledge of available receipts to the Portage County Port Authority included in the lease agreement.

(Dollars in Thousands)

Note 7. Debt, Net (Continued)

Long-term debt consists of the following as of June 30, 2020:

	Interest Rates	Maturity	Beginning Balance	Additions	Retirements	Ending Balance
General Receipts Bonds of 2012A	3.0 - 5.0	2020-2042	150,620	-	(142,605)	8,015
General Receipts Bonds of 2013A	3.79	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2014A	2.0 - 5.0	2020-2033	23,045	-	(20,480)	2,565
General Receipts Bonds of 2016	5.0	2020-2030	103,590	-	(9,690)	93,900
General Receipts Bonds of 2019	5.0	2020-2031	19,595	-	(625)	18,970
General Receipts Bonds of 2020A	5.0	2021-2050	-	22,530	-	22,530
General Receipts Bonds of 2020B	1.72 -3.38	2021-2042	-	172,825	-	172,825
Direct Placement:						
Ohio Air Quality Development Authority Series B - Stark	5.63	2020	148	-	(148)	-
Ohio Air Quality Development Authority Series B - Regional Campuses	4.86	2020-2025	2,501	-	(405)	2,096
Ohio Air Quality Development Authority Series A - Residence Halls & Dining Svcs	2.62	2020-2025	3,294	-	(1,373)	1,921
Ohio Air Quality Development Authority Series B - Residence Halls & Dining Svcs	5.32	2020-2025	7,000	-	-	7,000
Ohio Air Quality Development Authority Series A - Kent Campus	1.38	2020-2023	6,933	-	(1,698)	5,235
Ohio Air Quality Development Authority Series B - Kent Campus	3.65	2024-2027	7,500	-	-	7,500
Capital leases	various	various	46,562	37	(3,727)	42,872
			430,788	195,392	(180,751)	445,429
Plus unamortized discount and premium			23,136	5,639	(5,032)	23,743
Total bonds and leases payable			453,924	201,031	(185,783)	469,172
Less current portion long-term debt			(27,594)			(29,904)
			$ 426,330			$ 439,268

(Dollars in Thousands)

Note 7. Debt, Net (Continued)

Long-term debt consists of the following as of June 30, 2019:

	Interest Rates	Maturity	Beginning Balance	Additions	Retirements	Ending Balance
General Receipts Bonds of 2009B	2.0 - 5.0	2019-2032	$ 33,500	$ -	$ (33,500)	$ -
General Receipts Bonds of 2012A	3.0 - 5.0	2019-2042	154,200	-	(3,580)	150,620
General Receipts Bonds of 2013A	3.79	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2014A	2.0 - 5.0	2019-2033	24,190	-	(1,145)	23,045
General Receipts Bonds of 2016	5.0	2019-2030	103,590	-	-	103,590
General Receipts Bonds of 2019	5.0	2019-2031		19,595	-	19,595
Direct Placement:						
Ohio Air Quality Development Authority Series B - Stark	5.63	2019-2020	294	-	(146)	148
Ohio Air Quality Development Authority Series A - Regional Campuses	2.75	2019-2019	204	-	(204)	-
Ohio Air Quality Development Authority Series B - Regional Campuses	4.86	2019-2025	2,694	-	(193)	2,501
Ohio Air Quality Development Authority Series A - Residence Halls & Dining Svcs	2.62	2019-2025	4,632	-	(1,338)	3,294
Ohio Air Quality Development Authority Series B - Residence Halls & Dining Svcs	5.32	2019-2025	7,000	-	-	7,000
Ohio Air Quality Development Authority Series A - Kent Campus	1.38	2019-2023	8,608	-	(1,675)	6,933
Ohio Air Quality Development Authority Series B - Kent Campus	3.65	2024-2027	7,500	-	-	7,500
Capital leases	various	various	48,382	2,262	(4,082)	46,562
			454,794	21,857	(45,863)	430,788
Plus unamortized discount and premium			23,370	4,381	(4,615)	23,136
Total bonds and leases payable			478,164	26,238	(50,478)	453,924
Less current portion long-term debt			(26,566)			(27,594)
			$ 451,598			$ 426,330

Principal and interest on long-term debt are payable from operating revenues, allocated student fees and the excess of revenues over expenditures of specific auxiliary activities. The obligations are generally callable.

(Dollars in Thousands)

Note 7. Debt, Net (Continued)

The future amounts of principal and interest payments required by the debt agreements are as follows:

	Bonds			
Year	Principal	Interest	Hedging Derivatives, Net	Total
2021	$ 17,920	$ 11,974	$ 1,939	$ 31,833
2022	18,660	11,266	1,939	31,865
2023	19,020	10,659	1,939	31,618
2024	18,180	10,046	1,939	30,165
2025	17,870	9,464	1,939	29,273
2026-2030	129,559	36,351	7,755	173,665
2031-2035	80,445	18,944	646	100,035
2036-2040	46,660	11,044	-	57,704
2041-2045	24,145	3,335	-	27,480
2046-2050	6,346	983	-	7,329
Subtotal	378,805	124,066	18,096	520,967

	Direct Placements			
Year	Principal	Interest	Hedging Derivatives, Net	Total
2021	$ 7,354	$ 1,966	$ -	$ 9,320
2022	7,512	1,787	-	9,299
2023	7,993	1,565	-	9,558
2024	7,556	1,296	-	8,852
2025	7,243	1,062	-	8,305
2026-2030	19,928	2,836	-	22,764
2031-2035	4,460	1,294	-	5,754
2036-2040	3,185	626	-	3,811
2041-2044	1,393	69	-	1,462
Subtotal	66,624	12,501	-	79,125
Total	$ 445,429	$ 136,567	$ 18,096	$ 600,092

Note 7. Debt, Net (Continued)

Hedging derivative instrument payments and hedged debt: As of June 30, 2020, aggregate debt service requirements of the University's debt (fixed rate and variable rate) and net receipts/payments on associated hedging derivative instruments are shown below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer below for information on derivative instruments (interest rate swap).

Interest rate swap: The University has entered into a 30-year interest rate swap agreement for $60,000 of the variable-rate 2002 Series General Receipts bonds. The University entered into this agreement at the same time and for the same amount of the variable rate debt, with the intent of creating a synthetic fixed-rate debt, at an interest rate that was lower than if fixed-rate debt would have been issued directly. During 2009, the interest rate swap agreement became associated with the new bonds in connection with refunding of the 2002 Series General Receipt bonds through the issuance of 2008B Series General Receipt bonds. During fiscal year 2010, the counterparty on the agreement was changed from Woodlands Commercial Bank (formerly known as Lehman Brothers Commercial Bank) to Loop Financial Products LLP. Based on the swap agreement, the University owes interest calculated at a fixed rate (3.34 percent) to the counterparty to the swap. In return, the counterparty owes the University interest based on a variable rate (67 percent of London Inter-Bank Offered Rate (LIBOR)). The $60,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The notional amount on the swap is $60,000 as of June 30, 2020.

During 2013, the interest rate swap became associated with new bonds in connection with the refunding of the 2008B Series General Receipt bonds through the issuance of the 2013A Series General Receipt bond. An imputed borrowing of $15,912 (representing the fair value of the interest rate swap) and is reflected as a noncurrent accrued liability on the statement of net position and a new synthetic, at the market swap, was created as of the refinance date.

The interest rate swap has been determined to be an effective hedge using the regression analysis method. The regression analysis method evaluates effectiveness by considering the statistical relationship between the cash flows or fair values of the potential hedging derivative instrument and the hedgeable item.

As of June 30, 2020, the University has recorded a deferred outflow of resources and a related swap liability in the amount of $6,779 for the at-the-market swap. The change in fair value totaled $4,873 in fiscal year 2020 and resulted in a deferred outflow of resources. As of June 30, 2019, the University recorded a deferred outflow of resources and a related swap liability in the amount of $1,906 for the at-the-market swap. The change in fair value totaled $3,747 in fiscal year 2019 and resulted in a deferred outflow of resources. Due to the termination of hedge accounting from the refunding of the 2008B General Receipts bonds in fiscal year 2013, the University recognized $1,398 as a deferred cost of refunding (included in deferred outflows of resources) and increased its accrued liability from $14,514 to $15,912. The deferred cost of refunding was $880 and June 30, 2020, and is being amortized through 2032, which represents the maturity date of the original and refunded debt.

(Dollars in Thousands)

Note 7. Debt, Net (Continued)

The interest rate swaps are subject to the following risks:

Interest rate risk: The University is exposed to interest rate risk as the pay-fixed, receive variable-interest rate swap, as the LIBOR decreases, the University's net payment on the swap increases.

Termination risk: The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed depending on the prevailing economic circumstances at the time of the termination.

Rollover risk: The University is exposed to rollover risk on its LIBOR-based interest rate swap that matures or may be terminated prior to the maturity of the hedged debt. When the hedging interest rate swap terminates, or in the case of a termination option, if the counterparty exercises its option, the University will be re-exposed to the risks being hedged by the interest rate swap.

Credit risk: The University is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the University's policy to require counterparty collateral posting provisions. The fair value of the derivative instrument was in a liability position of $6,779 and $1,906 at June 30, 2020 and 2019, respectively, such that the University was not exposed to credit risk.

Note 8. Accrued Compensated Absences

A summary of accrued compensated absences at June 30 is as follows, see Note 2 for accounting policy for accrued compensated absences:

	2020	2019
Beginning balance	$ 22,078	$ 23,026
Additions	4,493	701
Reductions	(1,554)	(1,649)
Ending balance	$ 25,017	$ 22,078

(Dollars in Thousands)

Note 9. Employee Benefit Plans

Plan description: The University participates in the State Teachers Retirement System (STRS) and the Ohio Public Employees Retirement System (OPERS), the statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that cover substantially all employees of the University. Each system has multiple retirement plan options available to its members. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide postemployment healthcare 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 postemployment healthcare 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

Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215
(800) 222-7377
www.opers.org

Contributions: State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement boards of the systems individually set contributions 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, the University 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 liabilities.

Member contributions are set at the maximums authorized by the ORC. The plans' 2020 and 2019 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Pension	Post Retirement Healthcare	Death Benefits	Total	Total
STRS	14.00%	0.00%	0.00%	14.00%	14.00%
OPERS - State/Local	14.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	18.10%	0.00%	0.00%	18.10%	13.00%

(Dollars in Thousands)

Note 9. Employee Benefit Plans (Continued)

The University's required and actual contributions to the plans for the years ended June 30 are as follows:

	2020		2019	
	Pension	OPEB	Pension	OPEB
STRS	$ 17,918	$ -	$ 17,272	$ -
OPERS	17,099	-	17,322	-
	$ 35,017	$ -	$ 34,594	$ -

STRS benefits provided: Plan benefits are established under Chapter 3307 of the ORC, as amended in 2012 by Substitute Senate Bill 342 and gives the retirement board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and has attained age 60; (2) 25 years of service credit and has attained age 55; or (3) 30 years of service credit regardless of age. Beginning on August 1, 2015, eligibility requirements for an unreduced benefit will change. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 years) and multiplies by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30, depending on retirement age. Additionally, there are no cost-of-living adjustments.

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 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. All benefit recipients pay a portion of the healthcare in the form of a monthly premium.

OPERS benefits provided: Plan benefits are established under Chapter 145 of the ORC, as amended in 2012 by Substitute Senate Bill 343. The requirement to retire depends on years of service (15 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. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

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

(Dollars in Thousands)

Note 9. Employee Benefit Plans (Continued)

A death benefit of $500 to $2,500 is determined by the number of years of service credit the retiree has. 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.

Net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense: At June 30, 2020 and 2019, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For June 30, 2020, the net pension liability was measured as of June 30, 2019 for the STRS plan and December 31, 2019 for the OPERS plan. For June 30, 2019, the net pension liability was measured as of June 30, 2018 for the STRS plan and December 31, 2018 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 except STRS' net pension liability's actuarial valuation for the June 30, 2018 measurement date was dated July 1, 2017, which was rolled forward to the measurement date. 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.

Plan	Measurement Date	Net Pension Liability 2020	Net Pension Liability 2019	Proportionate Share 2020	Proportionate Share 2019	Percent Change 2020	Percent Change 2019
STRS	June 30	$ 233,961	$ 247,693	1.06%	1.13%	-0.07%	-0.01%
OPERS	December 31	167,315	206,691	0.86%	0.76%	0.10%	-0.09%
		$ 401,276	$ 454,384				

For the years ended June 30, 2020 and 2019, the University recognized pension expense of $65,887 and pension expense of $70,783, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020 Deferred Outflows of Resources	2020 Deferred Inflows of Resources	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,985	$ 3,540	$ 5,782	$ 4,672
Changes of assumptions	36,685	-	62,144	-
Net difference between projected and actual earnings on pension plan investments	-	45,368	28,344	15,020
Changes in proportion and differences between University contributions and proportionate share of contributions	12,926	19,032	599	17,008
University contributions subsequent to the measurement dates	26,278	-	25,922	-
Total	$ 77,874	$ 67,940	$ 122,791	$ 36,700

(Dollars in Thousands)

Note 9. Employee Benefit Plans (Continued)

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

Year ending June 30,		
2021	$	9,125
2022		(7,502)
2023		(3,222)
2024		(14,720)
2025		(10)
Thereafter		(15)
Total	$	(16,344)

In addition, the contributions subsequent to the measurement date will be included in the overall calculation of the net pension liability, deferred inflows and outflows, and related impacts to pension expense in the next year.

Net OPEB liability/(asset), deferred outflows of resources, deferred inflows or resources, and OPEB expense: At June 30, 2020, the University reported a liability/(asset) for its proportionate share of the net OPEB liability/(asset) of STRS/OPERS. For June 30, 2020, the net OPEB liability/(asset) was measured as of June 30, 2019 for STRS, and December 31, 2019 for the OPERS plan. For June 30, 2019, the net OPEB liability/(asset) was measured as of June 30, 2018 for STRS and December 31, 2018 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, 2018 and 2017, 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) would be 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, STRS did not allocate employer contributions to the OPEB plan. Therefore STRS' calculation of the employers' proportionate share is based on the total contributions to the plan for both pension and OPEB.

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 the total contributions to the plan for both pension and OPEB.

		Net OPEB Liability (Asset)				Proportionate Share		Percent Change
Plan	Measurement Date		2020		2019	2020	2019	2019-20
STRS	June 30	$	(17,522)	$	(18,089)	1.06%	1.13%	-0.07%
OPERS	December 31	$	116,681	$	121,253	0.84%	0.93%	-0.09%

(Dollars in Thousands)

Note 9. Employee Benefit Plans (Continued)

For the year ended June 30, 2020 and 2019, the University recognized OPEB expense of $6,900 and OPEB revenue of $25,169 respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,592	$ 11,562	$ 2,168	$ 1,377
Changes of assumptions	18,837	19,211	3,910	24,665
Net difference between projected and actual earnings on pension plan investments	-	7,042	5,559	2,053
Changes in proportion and differences between University contributions and proportionate share of contributions	3,280	7,125	6,462	331
Total	$ 23,709	$ 44,940	$ 18,099	$ 28,426

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

Year ending June 30,	
2021	$ (1,973)
2022	(5,459)
2023	(3,880)
2024	(6,269)
2025	(3,635)
Thereafter	(15)
Total	$ (21,231)

(Dollars in Thousands)

Note 9. Employee Benefit Plans (Continued)

Actuarial assumptions: The total pension liability and OPEB liability/(asset) is based on the results of an actuarial valuation and determined using the following actuarial assumptions for the year ended June 30, 2020:

	STRS	OPERS
Valuation date - Pension	June 30, 2019	December 31, 2019
Valuation date - OPEB	June 30, 2019	December 31, 2018
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	1.40 percent - 3.00 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	3.25 percent
Investment rate of return - Pension	7.45 percent, net of investment expense, including inflation	7.20 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.45 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rate	4.93 percent to 9.62 percent initial, 4.00 percent ultimate	10.50 percent initial, 3.50 percent ultimate in 2030
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 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 Healthly Annuitant mortality table

Actuarial assumptions used for the year-ended June 30, 2019:

	STRS	OPERS
Valuation date - Pension	July 1, 2018	December 31, 2018
Valuation date - OPEB	June 30, 2018	December 31, 2017
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	2.50 percent - 3.00 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	2.50 percent
Investment rate of return - Pension	7.45 percent, net of investment expense, including inflation	7.50 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.45 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rates	-5.23 percent to 9.62 percent initial, 4.00 percent ultimate	10.00 percent initial, 3.25 percent ultimate in 2029
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 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 Healthy Annuitant Mortality Table

Note 9. Employee Benefit Plans (Continued)

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, 2019 and 2018. The discount rates used to measure the total pension liability for OPERS were 7.20 percent for the plan years ended December 31, 2019 and 2018, respectively.

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).

The discount rate used to measure the total STRS OPEB liabilities/(assets) was 7.45 percent for the plan years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, 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).

The discount rate used to measure the total OPERS OPEB liabilities were 3.16 percent and 3.96 percent for the plan years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, 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 6.00 and the Fidelity 20-year Municipal General Obligation AA Index rate of 2.75 percent and 3.71 percent at December 31, 2019 and December 31, 2018, respectively. 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. At December 31, 2018, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

(Dollars in Thousands)

Note 9. Employee Benefit Plans (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 7/1/19			OPERS - As of 12/31/19			
				Defined Benefit Portfolio		Health Care Portfolio	
Investment Category	Target Allocation	Long-Term Expected Real Rate of Return	Investment Category	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	28.00%	7.35%	Fixed income	25.00%	1.83%	36.00%	1.53%
International equity	23.00%	7.55%	Domestic equities	19.00%	5.75%	21.00%	5.75%
Alternatives	17.00%	7.09%	Real estate	10.00%	5.20%	0.00%	0.00%
Fixed income	21.00%	3.00%	Private equity	12.00%	10.70%	0.00%	0.00%
Real estate	10.00%	6.00%	International equity	21.00%	7.66%	23.00%	7.66%
Liquidity reserves	1.00%	2.25%	REITs	0.00%	0.00%	6.00%	5.69%
			Other investments	13.00%	4.98%	14.00%	4.90%
Total	100%		**Total**	100%		100%	

	STRS - As of 7/1/18			OPERS - As of 12/31/18			
				Defined Benefit Portfolio		Health Care Portfolio	
Investment Category	Target Allocation	Long-Term Expected Real Rate of Return	Investment Category	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	28.00%	7.35%	Fixed income	23.00%	2.79%	34.00%	2.42%
International equity	23.00%	7.55%	Domestic equities	19.00%	6.21%	21.00%	6.21%
Alternatives	17.00%	7.09%	Real estate	10.00%	4.90%	0.00%	0.00%
Fixed income	21.00%	3.00%	Private equity	10.00%	10.81%	0.00%	0.00%
Real estate	10.00%	6.00%	International equity	20.00%	7.83%	22.00%	7.83%
Liquidity reserves	1.00%	2.25%	REITs	0.00%	0.00%	6.00%	5.98%
			Other investments	18.00%	5.50%	17.00%	5.57%
Total	100%		**Total**	100%		100%	

(Dollars in Thousands)

Note 9. 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:

2020

Plan	1.00% Decrease		Current Discount Rate		1.00% Increase	
STRS	6.45%	$ 341,908	7.45%	$ 233,961	8.45%	$ 142,578
OPERS	6.20%	277,721	7.20%	167,315	8.20%	68,184
		$ 619,629		$ 401,276		$ 210,762

2019

Plan	1.00% Decrease		Current Discount Rate		1.00% Increase	
STRS	6.45%	$ 361,723	7.45%	$ 247,693	8.45%	$ 151,182
OPERS	6.20%	306,285	7.20%	206,691	8.20%	123,984
		$ 668,008		$ 454,384		$ 275,166

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.

2020

Plan	1.00% Decrease		Current Discount Rate		1.00% Increase	
STRS	6.45%	$ (14,952)	7.45%	$ (17,522)	8.45%	$ (19,684)
OPERS	2.16%	152,695	3.16%	116,681	4.16%	87,845
		$ 137,743		$ 99,159		$ 68,161

2019

Plan	1.00% Decrease		Current Discount Rate		1.00% Increase	
STRS	6.45%	$ (15,515)	7.45%	$ (18,089)	8.45%	$ (20,276)
OPERS	2.96%	155,126	3.96%	121,253	4.96%	94,313
		$ 139,611		$ 103,164		$ 74,037

(Dollars in Thousands)

Note 9. 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 health care cost trend rate, as well as what the University's net OPEB liability/(asset) would be if it were calculated using a health care cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

		2020	
Plan	1.00% Decrease	Current Trend Rate	1.00% Increase
STRS	$ (19,870)	$ (17,522)	$ (14,648)
OPERS	113,238	116,681	120,080
	$ 93,368	$ 99,159	$ 105,432

		2019	
Plan	1.00% Decrease	Current Trend Rate	1.00% Increase
STRS	$ (20,153)	$ (18,089)	$ (16,018)
OPERS	116,549	121,253	126,668
	$ 96,396	$ 103,164	$ 110,650

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/OPERS financial report.

Assumption changes: During the measurement periods ended June 30, 2019 and December 31, 2019, respectively, certain assumption changes were made by the plans. The STRS OPEB discount rate remained the same at 7.45 percent, however, 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 31, 2019.

During the measurement periods ended June 30, 2018 and December 31, 2018, respectively, certain assumption changes were made by the plans. The STRS OPEB discount rate increased significantly from 4.13 percent to 7.45 percent due to the cash flow analysis and there was a reduction in the health care costs trend rates which impacted the annual actuarial valuation for OPEB prepared as of June 30, 2018. The OPERS pension discount rate was reduced from 7.50 percent to 7.20 percent, which impacted the annual actuarial valuation for pension prepared as of December 31, 2018 and 2017.

Benefit changes: There were no significant benefit terms changes for the pension or OPEB plans since the prior two measurement dates for STRS. 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: At June 30, 2020 and 2019, the University reported a payable of $5,254 and $7,758 for the outstanding amount of contributions to the pension plans, respectively. There were no amounts due to the OPEB plans at June 30, 2020 and 2019.

Note 9. 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 and adopted by the University's Board of Trustees. Full-time employees are eligible to choose a provider, in lieu of STRS or OPERS, from the list of seven providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS 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 or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of seven private providers approved by the Ohio Department of Insurance. 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 for the year ended June 30, 2020 and 2019 and 2.44 percent for OPERS for the years ended June 30, 2020 and 2019. The employer also contributes what would have been the employer's contribution under STRS or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement healthcare. Benefits are entirely dependent on the sum of the 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, 2020 and 2019, employee contributions and pension expense recognized totaled $7,814 and $6,921, respectively.

Ohio Public Employees Deferred Compensation Program: The University's employees may elect to participate in the Ohio Public Employees Deferred Compensation Program (Program), created in accordance with Internal Revenue Code Section 457. The Program permits deferral of a portion of an employee's compensation until termination, retirement, death, or unforeseeable emergency. The deferred compensation and any income earned thereon are not subject to income taxes until actually received by the employee.

In 1998, the Ohio Public Employees Deferred Compensation Program Board implemented a trust to hold the assets of the Program in accordance with Internal Revenue Code Section 457. The program assets are the property of the trust, which holds the assets on behalf of the participants.

Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of this program are not reported in the accompanying financial statements.

At June 30, 2020 and 2019, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were $24,004 and $21,804, respectively, which represent the fair market value at such dates.

(Dollars in Thousands)

Note 10. Contingencies and Commitments

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against any and all claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position.

The University participates in a consortium with all other Ohio state-assisted universities (excluding The Ohio State University) for the acquisition of commercial property and liability insurance. The name of the consortium is the IUC-Risk Management & Insurance Consortium. The commercial property program's loss limit is $1,750,000, the general/auto liability loss limit is $10,000 and the educator's legal liability loss limit is $40,000.

The University is deemed a state agency for purposes of workers' compensation, and pays premiums to the Ohio Bureau of Worker's Compensation based claims experience and related factors. Spooner, Inc. provides consulting to support claims administration, adjudication, and managed care activities.

The University is also self-insured for unemployment compensation and substantially all employee health benefits. The University's risk exposure is limited to claims incurred. The estimate is based on an analysis of historical claims paid. The liability is recorded within the accrued liabilities caption in the statements of net position. A summary of self-insured activity for the years ended June 30 is as follows:

	2020	2019	2018
Liability at beginning of year	$ 13,379	$ 13,329	$ 12,423
Claims incurred	73,164	70,291	69,554
Claims paid	(72,221)	(70,241)	(68,648)
Liability at end of year	$ 14,322	$ 13,379	$ 13,329

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2020 and 2019 for operating leases amounted to approximately $845 and $786, respectively.

Future minimum payments on noncancelable operating leases subsequent to June 30, 2020 are as follows:

2021	$ 838
2022	779
2023	454
2024	359
2025	341
2026-2029	578
	$ 3,349

As of June 30, 2020, the University had commitments related to construction projects totaling $20,365. These projects will be funded from a variety of sources including $69 from bond proceeds.

Note 10. Contingencies and Commitments (Continued)

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2020, the University has made $4,400 in institutional capital contributions, which are reflected as part of the University's net position. Under 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 contributions not yet received back through loan collections.

In fiscal year 2019, the University reclassified the federal capital contribution from restricted net position to a liability. This was necessary due to the fact that the Perkins loan program had been terminated and the University will be obligated to pay the federal government back its contribution to the program. The total amount that was reclassified was $28,667 in the statements of revenues, expenses and changes in net position on the line Perkins loan program reclassification.

Note 11. Related Party Transactions

In January 2016, the University and the Foundation entered into a sublease agreement for building space in the Center of Philanthropy and Alumni Engagement. The lease meets the capitalization criteria and is recorded as an asset and liability at fair value on the Foundation's financial statements. The value of the building and the balance of the liability as of June 30, 2020 and 2019 was $8,776 and $9,734, respectively.

The University, together with The University of Akron and Youngstown State University, created a consortium to establish and govern The Northeastern Education Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio. This organization is legally separate from the University; accordingly, its financial activity is not included within the accompanying financial statements. The University has no contractual financial obligations to this consortium.

Note 12. Component Units

The Kent State University Foundation (the Foundation) is a legally separate not-for-profit entity organized for the purpose of promoting educational and research activities of the University. Since the resources held by the Foundation can be used only by and for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The Foundation reimburses the University for substantially all operating expenses paid by the University on behalf of the Foundation.

Assets totaling $246,963 and $245,939 at June 30, 2020 and 2019 respectively, most of which have been restricted by donors for specific purposes, are presented separately. The University receives financial support from gifts to the Foundation specifically restricted by donors for University use, including scholarships and private grants. At June 30, 2020 and 2019, the University had outstanding receivables from the Foundation of approximately $161 and $151, respectively.

The Foundation's investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. The Foundation maintains a diverse investment portfolio, without any concentration of risk in any particular industry sector. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Foundation.

(Dollars in Thousands)

Note 12. Component Units (Continued)

The Foundation uses fair value measurements to record the fair value of certain assets and liabilities and to determine fair value disclosures.

Level 1 – Quoted prices that are available in active markets as of the report date. The quoted market prices are from those securities traded on an active exchange such as the New York Stock Exchange, NASDAQ or active over-the-counter markets.

Level 2 – Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the report date.

Level 3 – Inputs that are unobservable including the Foundation's own assumptions in determining the fair value of investments or liabilities.

The following tables present information about the investments and liabilities measured at fair value on a recurring basis as of June 30:

	2020			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
Exchange traded funds	$ 4,724	$ -	$ -	$ 4,724
Mutual funds:				
Multi-asset funds	556	-	-	556
International equity funds	5,287	-	-	5,287
Fixed income funds	5,062	-	-	5,062
Total investments by fair value level	$ 15,630	$ -	$ -	15,630
Investments measured at fair value based on net asset value: [(a)]				
Private equity				18,190
Hedge funds				6,930
Commingled asset funds				141,117
Real assets				12,831
Total investments measured at NAV				179,068
Total investment assets				$ 194,698
Investment liabilities:				
Charitable remainder trusts	$ -	$ -	$ 1,562	$ 1,562
Charitable gift annuities	-	-	2,346	2,346
Total investment liabilities	$ -	$ -	$ 3,908	$ 3,908

(Dollars in Thousands)

Note 12. Component Units (Continued)

	2019			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
Corporate stocks	$ 5,629	$ -	$ -	$ 5,629
Exchange traded funds	30,580	-	-	30,580
Mutual funds:				
Large capitalization equity funds	50,554	-	-	50,554
Small / middle capitalization equity funds	4,864	-	-	4,864
International equity funds	29,229	-	-	29,229
Multi-asset funds	531	-	-	531
Fixed income funds	29,132	-	-	29,132
Total investments by fair value level	$ 150,518	$ -	$ -	150,518
Investments measured at fair value based on net asset value: [a]				
Private equity				8,632
Hedge funds				22,134
Real assets				10,884
Total investments measured at NAV				41,651
Total investment assets				$ 192,169
Investment liabilities:				
Charitable remainder trusts	$ -	$ -	$ 1,914	$ 1,914
Charitable gift annuities	-	-	2,105	2,105
Total investment liabilities	$ -	$ -	$ 4,019	$ 4,019

[a] In accordance with ASC Subtopic 820-10, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

The following table is a reconciliation of all liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year end June 30:

	Charitable Remainder Trusts	Charitable Gift Annuities
Balances as of July 1, 2019	$ 1,914	$ 2,105
Investment income, net	288	-
New gifts	-	55
Maturities	(1,407)	-
Payments to annuitants	(294)	(261)
Net change in fair value of trusts	1,061	447
Balances as of June 30, 2020	$ 1,562	$ 2,346

(Dollars in Thousands)

Note 12. Component Units (Continued)

The following table sets forth the significant terms of the agreements with non-publically traded funds reported at fair value based on net asset value at June 30:

	Fair Value		Unfunded	Redemption Frequency, if	Redemption Notice
	2020	2019	Commitments	Eligible	Period
Private equity	$ 18,190	$ 8,632	$ 20,883	5+ years	not applicable
Hedge funds	6,930	22,134	-	quarterly	90 days
Commingled asset funds	141,117	-	-	quarterly	90 days
Real assets	12,341	10,884	-	quarterly	90 days
Real assets (private)	490	-	-	5+ years	not applicable
Total	$ 179,068	$ 41,651	$ 20,883		

The private equity class is made up of fund-of-funds managers who allocate to a specific sector or investment stage, including venture and growth capital, buyout, private credit/debt, real estate, and natural resources. An initial commitment is made by the investor, and capital is called over several years (3-5). As underlying companies are sold, issue an initial public offering, or are otherwise recapitalized, managers distribute the realized proceeds to limited partner investors.

The hedge fund class consists of fund-of-fund managers and OCIO holdings who allocate funds to underlying hedge funds and/or commingled asset funds which invest in various asset classes globally. Investments may include public equities, fixed income, credit instruments, commodities, currencies, and other securities based on economic trends or index hedging. While underlying investments are generally very liquid, the manager offers only periodic redemptions and subscriptions in order to better align with a longer investment time horizon.

The real assets class is comprised of investments in equity securities and derivative instruments with primary exposure to tangible assets including commodities, energy, infrastructure, real estate securities, and inflation-protected treasuries. Investments are primarily liquid, though the managers may only allow periodic redemptions in order to better align with a longer investment time horizon.

The private real asset class is similar to the real asset class described above; however, it has a significantly longer lock-up period.

(Dollars in Thousands)

Note 12. Component Units (Continued)

Donor restricted net assets of the Foundation are principally related to scholarships, specific schools within the University, department chairs, and various other purposes. Net assets were as follows at June 30:

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Available for expenditure:				
Current operations	$ 15,959	$ 40,390	$ 14,769	$ 38,942
Term endowments	2,123	57,531	2,338	57,297
Accumulated earnings on endowments	-	17,535	-	21,897
Real estate	549	1,887	549	1,887
	18,631	117,344	17,656	120,023
Unavailable for expenditure:				
Endowments	-	60,924	-	55,068
Trusts	-	3,151	-	4,212
Beneficial interest in perpetual trusts	-	5,074	-	4,802
Uncollected pledges, net	-	16,924	-	19,117
	-	86,073	-	83,200
	$ 18,631	$ 203,417	$ 17,656	$ 203,223

The KSU Foot and Ankle Clinic dba The Cleveland Foot and Ankle Clinic (Clinic) provides services to the public but does so to provide clinical experience for students of the KSU College of Podiatric Medicine. The Clinic is a separate not-for-profit entity organized by the University for the benefit of the KSU College of Podiatric Medicine. The University is the sole member of the Clinic and appoints the directors. Under the provisions of GASB 61, the Clinic has been determined to be a blended component of the University. The University is obligated to deposit sufficient amounts to cover necessary expenses deemed to be core components to the continuous operation of the Clinic. The University also reviews and approves the annual budget. Condensed financial statement information for the Clinic is presented below:

	2020	2019
Statements of Net Position (condensed):		
Total assets	$ 45	$ 48
Total liabilities	45	48
Net position	$ -	$ -

	2020	2019
Statements of Revenues, Expenses and Changes in Net Position (condensed):		
Operating revenues	$ 560	$ 769
Operating expenses	1,043	1,124
Operating loss	(483)	(355)
Transfers from the University	483	355
Change in net position	$ -	$ -

Note 12. Component Units (Continued)

Assets primarily consist of patient receivables offset by an allowance for uncollectible patient receivables. Liabilities primarily consist of accounts payable and accrued vacation.

Patient revenues are the major source of operating revenues for the Clinic. Operating expenses consist primarily of salaries and benefits for Clinic personnel and expenses related to the Clinic building (i.e., rental expense and insurance).

Note 13. Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries. The extent to which the coronavirus impacts the University’s financial condition, results of operations, and cash flows 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 actions taken to contain the coronavirus or its impact, among others.

During the year ended June 30, 2020, the University was awarded $19,307 from the U.S. Department of Education/Higher Education Emergency Relief Fund (HEERF). This money was awarded to provide economic relief to support the costs of remote learning, grants to students, technology and other purposes related to the disruption of campus operations due to the COVID-19 pandemic. As of June 30, 2020, the University recognized HEERF revenue of $12,265 and it is reflected in the accompanying statements of revenue, expenses and changes in net position.

Note 14. Subsequent Events

In the summer of 2020, the University applied for and was approved to receive $14,763 in funding from the Ohio Department of Education (ODHE) through the federal government’s Coronavirus Aid, Relief, and Economic Security (CARES) Act. This funding must be spent by the end of the calendar year and can be used for a variety of institutional needs, including enhancing instructional technology for remote delivery instruction, space reconfiguration for proper social distancing protocols and needed personal protection equipment for University community members working and attending classes on the campuses.

Required Supplementary Information

Kent State University

Retirement Plan Data
Years Ended June 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014
(Dollars in Thousands)

	2019		2018		2017		2016		2015		2014	
	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS
Plan year end	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,
University's proportion of the collective net pension liability:												
As a percentage	0.855023%	1.057958%	0.757658%	1.126500%	0.847190%	1.135790%	0.866780%	1.151210%	0.879430%	1.165490%	0.853250%	1.570200%
Amount	$ 167,315	$ 233,961	$ 206,691	$ 247,693	$ 131,735	$ 269,810	$ 196,348	$ 385,343	$ 151,914	$ 322,106	$ 102,582	$ 281,426
University's covered-employee payroll	$ 145,213	$ 158,816	$ 145,858	$ 149,310	$ 145,395	$ 155,814	$ 144,315	$ 151,084	$ 140,497	$ 145,798	$ 136,758	$ 142,396
University's proportional share of the collective pension liability (amount) as a percentage of the University's covered-employee payroll	115.22%	147.32%	141.71%	165.89%	90.60%	173.16%	136.06%	255.05%	108.13%	220.93%	75.01%	197.64%
Fiduciary net position as a percentage of the total pension liability	82.44%	77.40%	74.91%	77.30%	84.85%	75.29%	77.39%	66.80%	81.17%	72.10%	86.53%	74.70%

Schedule of the University's Contributions

	2020		2019		2018		2017		2016		2015	
	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS
Statutorily required contribution	$ 17,099	$ 17,918	$ 17,322	$ 17,272	$ 16,604	$ 17,935	$ 15,262	$ 16,528	$ 16,680	$ 16,959	$ 16,360	$ 17,022
Contributions in relation to the actuarially determined contractually required contribution	$ 17,099	$ 17,918	$ 17,322	$ 17,272	$ 16,604	$ 17,935	$ 15,262	$ 16,528	$ 16,680	$ 16,959	$ 16,360	$ 17,022
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 146,329	$ 158,816	$ 146,462	$ 149,310	$ 144,780	$ 155,814	$ 146,087	$ 151,084	$ 142,041	$ 145,798	$ 139,224	$ 142,396
Contributions as a percentage of covered employee payroll	11.69%	11.28%	11.83%	11.57%	11.47%	11.51%	10.45%	10.94%	11.74%	11.63%	11.75%	11.95%

Notes to required supplementary information:

Changes of benefit terms. There were no changes in benefit terms affecting the STRS and 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.

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

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.

Kent State University

OPEB Plan Data
Years Ended June 30, 2020, 2019 and 2018
(Dollars in Thousands)

	2019		2018		2017	
	OPERS	STRS	OPERS	STRS	OPERS	STRS
Plan year end	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,
University's proportion of the collective net OPEB liability (asset):						
As a percentage	0.844741%	1.057958%	0.930010%	1.126500%	0.841280%	1.135790%
Amount	$ 116,681	(17,522)	121,253	(18,089)	91,357	44,315
University's covered-employee payroll	$ 145,213	158,816	145,848	149,310	145,395	155,814
University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered-employee payroll	80.35%	-11.03%	83.14%	-12.12%	62.83%	28.44%
Fiduciary net position as a percentage of the total OPEB liability	47.80%	174.70%	46.33%	176.00%	54.14%	47.11%

Schedule of the University's Contributions

	2020		2019		2018	
	OPERS	STRS	OPERS	STRS	OPERS	STRS
Statutorily required contribution	$ -	$ -	$ -	$ -	$ 589	$ -
Contributions in relation to the actuarially determined contractually required contribution	$ -	$ -	$ -	$ -	$ 589	$ -
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 146,329	$ 158,816	$ 146,462	$ 149,310	$ 144,780	$ 155,814
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.41%	0.00%

Notes to required supplementary information:

Chages of benefit terms: There were no significant changes in benefit terms affecting STRS and OPERS plan for the plan years ended June 30, 2019 and December 31, 2019, respectively.

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 11.00 percent initial and 4.50 percent ultimate to -5.23 percent to 9.62 percent initial and 4.00 percent ultimate. 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.

OPERS: During the plan year ended December 31, 2019, there were changes to several assumptions for OPERS. The health care cost trend rates increased from 10.00 percent initial and 3.25 percent ultimate to 10.50 percent initial and 3.50 percent ultimate. The discount rate was reduced from 3.96 percent to 3.16 percent.

Kent State University

Uniform Guidance Requirements

Kent State University

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster				
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	$ -	$ 1,241,102
Federal Work-Study Program	84.033	N/A	-	1,703,804
Federal Perkins Loan Program:	84.038	N/A		
Loans outstanding at the beginning of the year			-	32,119,893
Federal Pell Grant Program	84.063	N/A	-	45,960,816
Federal Direct Student Loans	84.268	N/A	-	196,917,649
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	-	560,501
Total U.S. Department of Education			-	278,503,765
U.S. Department of Health and Human Services:				
Health Professional	93.342	N/A	-	3,284,423
Loans for Disadvantaged Students	93.342	N/A	-	336,568
			-	3,620,991
Nursing Student Loans - loans outstanding at the beginning of year	93.364	N/A	-	1,718,171
Total U.S. Department of Health and Human Services			-	5,339,162
Total Student Financial Assistance Cluster			-	283,842,927
Research and Development Cluster				
U.S. Department of Agriculture				
Forest Health Protection	10.680	N/A	-	7,599
U.S. Department of Commerce				
Climate and Atmospheric Research	11.431	N/A	-	169,020
Pass-through Programs from:				
The Ohio State University - Sea Grant Support	11.417	60061401	-	(660)
The Ohio State University - Sea Grant Support	11.417	60063785	-	23,157
			-	22,497
The Ohio State University - Coastal Zone Management Administration Awards	11.419	KSU410856	-	71
The Ohio State University - Coastal Zone Management Administration Awards	11.419	RF01549559	-	2,405
			-	2,476
Total U.S. Department of Commerce			-	193,993
U.S. Department of Defense				
Basic Scientific Research	12.431	N/A	-	(1,383)
Mathematical Sciences Grants	12.901	N/A	-	14,000
Department of Defense Contract	12.U01	N/A	-	5,641
Pass-through Programs from:				
University of Massachusetts - Basic and Applied Scientific Research	12.300	18-010467 E 00	-	288,855
Geisinger Medical Center - Military Medical Research and Development	12.420	6917961	-	2,982
Lee Moffitt Cancer Center - Military Medical Research and Development	12.420	12-18717-99-01-G3	-	304,109
			-	307,091
United States Army Research Office - Basic Scientific Research	12.431	W911NF-17-1-0456	-	134,705
Azimuth Corp - Department of Defense Contract	12.U02	238-5404-KSU	-	79,764
Defense Engineering Corp. - Department of Defense Contract	12.U03	PO 10257	-	11,896
Defense Engineering Corp. - Department of Defense Contract	12.U04	PO 10286	-	54,463
UES, Inc. - Department of Defense Contract	12.U05	S-114-005-007	-	8,084
Yanhai Power LLC - Department of Defense Contract	12.U06	YP001-19-STTR	-	14,016
Zymergen Inc. - Department of Defense Contract	12.U07	40555	-	156,557
Zymergen Inc. - Department of Defense Contract	12.U08	KSU412065	-	6,192
Total U.S. Department of Defense			-	1,079,881
U.S. Department of the Interior				
U.S. Geological Survey Research and Data Collection	15.808	N/A	-	21,497
National Cooperative Geologic Mapping	15.810	N/A	-	13,618
Total U.S. Department of the Interior			-	35,115
U.S. Department of Justice				
Pass-through Programs from:				
Ohio Criminal Justice Studies - Project Safe Neighborhoods	16.609	2016-PS-PSN-432	-	223,644
Ohio Criminal Justice Studies - Project Safe Neighborhoods	16.609	2018-PS-PND-432	-	30,689
			-	254,333
Ohio Criminal Justice Studies - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-JG-C01-6947	-	59,273
Total U.S. Department of Justice			-	313,606

(Continued)

Kent State University

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
National Aeronautics and Space Administration				
Science	43.001	N/A	$ 14,905	$ 108,800
Space Operations	43.007	N/A	-	68,992
NASA Contract	43.U01	N/A	-	(2,356)
Pass-through Programs from:				
College of Charleston - Education	43.008	521202-KENT	-	92
NASA Glenn Research Center - NASA Contract	43.U02	NNC15VB05P	-	4,421
Ohio Space Grant Consortium - NASA Contract	43.U03	KSU418759	-	619
Ohio Space Grant Consortium - NASA Contract	43.U04	KSU418760	-	(22)
Ohio Space Grant Consortium - NASA Contract	43.U05	KSU418766	-	5,719
Ohio Space Grant Consortium - NASA Contract	43.U06	KSU418770	-	1,603
Ohio Space Grant Consortium - NASA Contract	43.U07	KSU418771	-	3,397
Case Western Reserve University - NASA Contract	43.U08	RES511813	-	24,952
			-	40,689
Total National Aeronautics and Space Administration			14,905	216,217
National Endowment for the Arts				
Pass-through Program from:				
Bowie State University - Promotion of the Arts Grants to Organizations and Individuals	45.024	N/A	-	546
Total National Endowment for the Arts			-	546
National Endowment for the Humanitities				
Promotion of the Humanities Public Programs	45.164	N/A	-	22,212
Pass-through Program from:				
Ohio Humanities Council - Promotion of the Humanities Federal/State Partnership	45.129	ME20-009	-	16,646
Total National Endowment for the Humanitities			-	38,858
Institute of Museum and Library Services				
Direct Programs				
Laura Bush 21st Century Librarian Program	45.313	N/A	65,770	109,204
Pass-through Program from:				
State Library of Ohio - Grants to States	45.310	KSU414310	-	3,662
Total Institute of Museum and Library Services			65,770	112,866
National Science Foundation				
Engineering Grants	47.041	N/A	7,644	655,203
Mathematical and Physical Sciences	47.049	N/A	-	1,628,763
Geosciences	47.050	N/A	-	33,786
Computer and Information Science and Engineering	47.070	N/A	57,818	531,381
Biological Sciences	47.074	N/A	-	243,657
Social, Behavioral, and Economic Sciences	47.075	N/A	-	109,326
Education and Human Resources	47.076	N/A	68,930	678,545
Office of International Science and Engineering	47.079	N/A	-	1,587
Pass-through Programs from:				
AquaNRG Consulting Inc. - Engineering Grants	47.041	IIP-1841740-KSU	-	15,000
The University of Akron - Engineering Grants	47.041	03433-KSU05	-	914
The University of Akron - Engineering Grants	47.041	03433-KSU3	-	659
The University of Akron - Engineering Grants	47.041	03433-KSU2	-	1,582
The University of Akron - Engineering Grants	47.041	03433-KSU2A	-	862
The University of Akron - Engineering Grants	47.041	03433-KSU4	-	2,500
Washington State University - Engineering Grants	47.041	120239 G003233	-	11,509
			-	33,026
Northeast Ohio Medical University - Biological Sciences	47.074	G0215-A	-	10,405
Carnegie Mellon University - Social, Behavioral, and Economic Sciences	47.075	1122573-390590	-	46,357
San Diego State University - Social, Behavioral, and Economic Sciences	47.075	SA0000404	-	31,717
			-	78,074
Missouri State University - Education and Human Resources	47.076	16043-002	-	22,989
The University of Tennessee, Knoxville - Polar Programs	47.078	A20-0621-S001	-	9,697
University of Delaware - Office of International Science and Engineering	47.079	51689	-	46,386
Total National Science Foundation			134,392	4,082,825
U.S. Department of Energy				
Office of Science Financial Assistance Program	81.049	N/A	233,951	1,328,998
Pass-through Programs from:				
University of Connecticut - Office of Science Financial Assistance Program	81.049	135049	-	1,545
Brookhaven National Laboratory - Department of Energy	81.U01	332787	-	3,173
Brookhaven Science Associates, LLC - Department of Energy	81.U02	364754	-	12,979
Brookhaven Science Associates, LLC - Department of Energy	81.U03	365892	-	11,495
Los Alamos National Security LLC - Department of Energy	81.U04	503145	-	128,639
UChicago Argonne National Laboratory - Department of Energy	81.U05	8F-30146	-	(167)
			-	156,119
Total U.S. Department of Energy			233,951	1,486,662

(Continued)

Kent State University

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
TRIO McNair Post-Baccalaureate Achievement	84.217	N/A	$ -	$ 260,912
Pass-through Programs from:				
Ohio Department Of Education - Special Education Grants to States	84.027	CSP909314	-	271,239
The Ohio State University - Education Research, Development and Dissemination	84.305	60071609	-	117,758
University of Florida - Research in Special Education	84.324	UFDSP00012193	-	246,457
The University of Akron - English Language Acquisition State Grants	84.365	542324	-	17,951
Total U.S. Department of Education			-	914,317
U.S. Department of Health and Human Serivces				
Research on Healthcare Costs, Quality and Outcomes	93.226	N/A	10,260	214,517
Mental Health Research Grants	93.242	N/A	194,574	1,025,445
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	-	338,709
Drug Abuse and Addiction Research Programs	93.279	N/A	106,191	265,007
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	N/A	-	39,618
Nursing Research	93.361	N/A	65,167	473,400
Cancer Cause and Prevention Research	93.393	N/A	-	72,332
Cancer Treatment Research	93.395	N/A	-	17,291
Cancer Biology Research	93.396	N/A	129,604	416,046
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	N/A	959	149,486
Cardiovascular Diseases Research	93.837	N/A	108,408	173,326
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	N/A	-	57,007
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	N/A	-	292,803
Biomedical Research and Research Training	93.859	N/A	-	219,797
Child Health and Human Development Extramural Research	93.865	N/A	85,464	901,888
Aging Research	93.866	N/A	207,065	863,969
Pass-through Programs from:				
Stark County Mental Health & Addiction Recovery - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	KSU416386	-	8,459
Stark County Mental Health & Addiction Recovery - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	KSU416387	-	38,372
			-	46,831
Florida International University - Environmental Health	93.113	800008800-01UG	-	86,686
University of Kentucky - Environmental Health	93.113	3200002784-20-082	-	4,421
			-	91,107
Einstein Institute - Research Related to Deafness and Communication Disorders	93.173	492101	-	54,180
iRxReminder LLC - Mental Health Research Grants	93.242	MH114763-KSU	-	(3,631)
Indiana University - Mental Health Research Grants	93.242	BL-4624280-KSU	-	12,325
			-	8,694
University of Memphis - Substance Abuse and Mental Health Services Projects of Regional and National Significanc	93.243	5-40756	-	1,688
University of Memphis - Substance Abuse and Mental Health Services Projects of Regional and National Significanc	93.243	5-40755	-	(20,272)
			-	(18,584)
Richland Public Health - Drug-Free Communities Support Program Grants	93.276	1H79SP081858-01-KSU	-	7,890
Ponce Health Sciences University - Minority Health and Health Disparities Research	93.307	2 U54 MD007579-34	-	127,722
Case Western Reserve University - Trans-NIH Research Support	93.310	KSU410860	-	3,672
MD Anderson Cancer Center - Research Infrastructure Programs	93.351	3001480941	-	178,528
Case Western Reserve University - Nursing Research	93.361	RES513705	-	(1,729)
Virginia Commonwealth University - ACL National Institute on Disability, Independent Living, and Rehabilitation Rese	93.433	FP00010656_SA001	-	22,004
Virginia Commonwealth University - ACL National Institute on Disability, Independent Living, and Rehabilitation Rese	93.433	FP00010584_SA002	-	20,669
			-	42,673
Sanford Research - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	SR-2019-208	-	13,677
North Dakota State University - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	FAR0027328	-	12,944
			-	26,621
University of Florida - Allergy and Infectious Diseases Research	93.855	810008156	-	1,731
West Virginia University - Child Health and Human Development Extramural Research	93.865	14-452-KSU	-	169,667
The MetroHealth System - Special Projects of National Significance	93.928	7411064102	-	3,744
The MetroHealth System - Special Projects of National Significance	93.928	7411064102	-	26,152
			-	29,896
Indiana State Department of Health - Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	00000000000000019082	-	132,156
Maryland Department of Health - Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	M00B84006676	-	60,026
			-	192,182
Costilla County Public Health Agency - Block Grants for Prevention and Treatment of Substance Abuse	93.959	KSU415340	-	4,764
Indiana State Department of Health - Maternal and Child Health Services Block Grant to the States	93.994	00000000000000019082	-	20,964
Total U.S. Department of Health and Human Serivces			907,692	6,507,450
Executive Office of the President				
Pass-through Programs from:				
University of Memphis - Research and Data Analysis	95.007	5-40754	-	7,866
University of Memphis - Research and Data Analysis	95.007	5-40868	-	5,883
Total Executive Office of the President			-	13,749
Total Research and Development Cluster			1,356,710	15,003,684

(Continued)

Kent State University

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Pass-through Program from:				
Stark County Regional Planning - Community Development Block Grants/Entitlement Grants	14.218	P0004705	$ -	$ 31,423
TOTAL CDBG - Entitlement Grants Cluster			-	31,423
U.S. Department of Education				
TRIO Cluster				
TRIO Student Support Services	84.042	N/A	-	541,745
TRIO Upward Bound	84.047	N/A	-	1,154,553
Total TRIO Cluster			-	1,696,298
Other Programs				
U.S. Department of Agriculture				
Rural Cooperative Development Grants	10.771	N/A	-	47,367
U.S. Department of Defense				
Language Grant Program	12.900	N/A	-	73,801
U.S. Department of the Interior				
National Park Service Conservation, Protection, Outreach, and Education	15.954	N/A	-	3,500
U.S. Department of Justice				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	N/A	-	21,609
Pass-through Programs from:				
Ohio Attorney General - Crime Victim Assistance	16.575	2019-VOCA-132136237	-	29,704
Ohio Attorney General - Crime Victim Assistance	16.575	2020-VOCA-13293572	-	72,175
			-	101,879
Total U.S. Department of Justice			-	123,488
U.S. Department of State				
Pass-through Programs from:				
International Research & Exchange Board, Incorporated - Academic Exchange Programs - Undergraduate Program	19.009	KSU418602	-	12,554
World Learning - Academic Exchange Programs - Undergraduate Programs	19.009	KSU418631	-	44,504
			-	57,058
Al Quds Open University - Investing in People in The Middle East and North Africa	19.021	KSU410421	-	83,762
International Research & Exchange Board, Incorporated - Academic Exchange Programs - Teachers	19.408	FY19-FTEA-ML-KSU-01	-	169,475
International Research & Exchange Board, Incorporated - Academic Exchange Programs - Teachers	19.408	FY-20-FTEA-ML-KSU-01	-	120,974
			-	290,449
American Councils for International Education - AEECA/ESF PD Programs	19.900	SUZ800-18-CA-0001	-	2,559
Total U.S. Department of State			-	433,828
U.S. Department of Transportation				
Airport Improvement Program	20.106	N/A	-	39,481
Pass-through Program from:				
Ohio EPA - Airport Improvement Program	20.106	V19F-012	-	51,006
Total U.S. Department of Transportation			-	90,487
National Aeronautics and Space Administration				
Pass-through Programs from:				
Ohio Space Grant Consortium - Education	43.008	KSU411819	-	375
Ohio Space Grant Consortium - Education	43.008	KSU411814	-	9,500
Total National Aeronautics and Space Administration			-	9,875
National Endowment for the Arts				
Promotion of the Arts Grants to Organizations and Individuals	45.024	N/A	-	44,255
Pass-through Program from:				
Arts Midwest - Promotion of the Arts Partnership Agreements	45.025	24510	-	1,000
Total National Endowment for the Arts			-	45,255
National Endowment for the Humanities				
Pass-through Programs from:				
National Endowment For The Humanities - Promotion of the Humanities Professional Development	45.163	N/A	-	8,557
National Endowment For The Humanities - Promotion of the Humanities Public Programs	45.164	N/A	-	27,401
Total National Endowment for the Humanities			-	35,958
Institute of Museum and Library Services				
Pass-through Programs from:				
Sacramento Public Library - Grants to States	45.310	SPL-KSU-FY20	-	12,062
State Library of Ohio - Grants to States	45.310	KSU414312	-	4,999
Total Institute of Museum and Library Services			-	17,061

(Continued)

Kent State University

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Small Business Administration				
Pass-through Programs from:				
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-19-327	$ -	$ 77,504
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-20-327	-	56,311
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU445004	-	6,369
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU487908	-	(2,435)
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-19-321	-	30,475
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-20-321	-	84,642
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-19-322	-	50,625
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-20-322	-	71,495
			-	374,986
Ohio Aerospace Institute - Federal and State Technology Partnership Program	59.058	PO 0007107	-	5,682
Total U.S. Small Business Administration			-	380,668
U.S. Department of Education				
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	N/A	13,888	296,601
Higher Education Emergency Relief Fund - Institutional Portion - COVID 19	84.425F	N/A	-	6,115,882
Higher Education Emergency Relief Fund - Student Aid Portion - COVID 19	84.425E	N/A	-	6,119,600
			-	12,235,482
Pass-through Programs from:				
Ohio Department of Higher Education - Adult Education - Basic Grants to States	84.002	BOR01-0000006102	-	4,942
Ohio Department of Higher Education - Adult Education - Basic Grants to States	84.002	BOR01-0000006662	263,021	1,010,645
Ohio Department of Higher Education - Adult Education - Basic Grants to States	84.002	BOR01-0000006662	-	27,253
Ohio Department of Higher Education - Adult Education - Basic Grants to States	84.002	BOR01-0000006662	-	199,045
			263,021	1,241,885
Ohio Department Of Education - Career and Technical Education -- Basic Grants to States	84.048	KSU415675	-	450
Ohio Department Of Education - Career and Technical Education -- Basic Grants to States	84.048	KSU415679	-	97,268
			-	97,718
Ohio Department of Higher Education - Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	KSU417202	-	137,013
Total U.S. Department of Education			276,909	14,008,699
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	-	106,035
Mental and Behavioral Health Education and Training Grants	93.732	N/A	-	268,539
Pass-through Programs from:				
Tuscarawas County Health Department - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	KSU416231	-	3,472
Northeast Ohio Medical University - Grants for Primary Care Training and Enhancement	93.884	G0098-W	-	(1,973)
Northeast Ohio Medical University - Grants for Primary Care Training and Enhancement	93.884	G0098-II	-	5,653
			-	3,680
Total U.S. Department of Health and Human Services				381,726
Agency for International Development				
Pass-through Program from:				
American University of Nigeria - USAID Foreign Assistance for Programs Overseas	98.001	AUN 2019/01/72062019CA00002	-	399,129
Total Agency for International Development			-	399,129
Total Other Programs			276,909	16,050,842
Total Expenditures of Federal Awards			$ 1,633,619	$ 316,625,174

See notes to the schedule of expenditures of federal awards

Kent State University

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Kent State University (the University) under programs of the federal government for the year ended June 30, 2020. 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* (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 accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, 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.

Note 3. Indirect Cost Rate

The University has elected not to exercise its option to use the 10-percent de minimis indirect cost rate due to the fact that the University has an existing approved indirect cost rate.

Note 4. Federal Perkins Loan Program

The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to this program are included in the University's financial statements. There were no loans made during the current year. The balances of loans outstanding at June 30, 2020 consist of:

Program Name	Outstanding Balance at July 1, 2019	New Loans Issued	Repayments of Student Loans	Outstanding Balance at June 30, 2020
Federal Perkins Loan Program	$ 32,119,893	$ -	$ (5,426,585)	$ 26,693,308

Note 5. Nursing Student Loan Program

The Nursing Student Loan Program is administered directly by the University and balances and transactions relating to this program are included in the University's financial statements. The balances of loans outstanding at June 30, 2020 consist of:

Program Name	Outstanding Balance at July 1, 2019	New Loans Issued	Repayments of Student Loans	Outstanding Balance at June 30, 2020
Nursing Student Loan Program	$ 1,718,171	$ 403,705	$ (389,480)	$ 1,732,396

Note 6. Federal Direct Student Loans

The University also participates in the Federal Direct Student Loan Program, which includes subsidized and unsubsidized Federal Stafford Loans "Stafford" and Federal PLUS Loans "PLUS". New loans processed for students during the year ended June 30, 2020, were as follows:

Federal Direct Student Loan Program	
Stafford:	
Subsidized	$ 52,611,234
Unsubsidized	102,808,097
GLPS	8,954,894
PLUS	32,543,424

The value of the loans issued for the Federal Direct Student Loan Program is based on disbursed amounts. The University is responsible only for the performance of certain administrative duties with respect to the Federally Guaranteed Student Loan Programs and, accordingly, balances and transactions relating to the loan programs are not included in the University's basic financial statements. Therefore, it is not practical to determine the balance of loans outstanding to students and former students of Kent State University at June 30, 2020.

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*

Independent Auditor's Report

President and Board of Trustees of Kent State University

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 discretely presented component unit of Kent State University (the University), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and the related notes to the financial statements, and have issued our report thereon dated October 15, 2020.

This report does not extend to the Kent State University Foundation due to the Foundation issuing a separate report on Internal Control over Financial Reporting and on Compliance and Others Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated September 30, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

RSM US LLP

Cleveland, Ohio
October 15, 2020

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required By The Uniform Guidance

Independent Auditor's Report

President and Board of Trustees of Kent State University

Report on Compliance for Each Major Federal Program
We have audited Kent State University's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2020. 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, Kent State 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, 2020.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the business-type activities and the discretely presented component unit of Kent State University as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collective comprise the University’s basic financial statements. We have issued our report thereon dated October 15, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

Cleveland, Ohio
March 3, 2021

Kent State University

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.03884.063, 84.268, 84.379, 93.342 and 93.364	Student Financial Aid Cluster
84.425F	Higher Education Emergency Relief Fund - Institutional Portion
84.425E	Higher Education Emergency Relief Fund - Student Aid Portion
93.732	Mental and Behavioral Health Education and Training Grants
84.002	Adult Education - Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as a low risk auditee?	X	Yes		No

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

No findings noted.

Section III - Findings and Questioned Costs for Federal Awards

No findings noted.

Kent State University

Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2020

No matters were reported