

Lake Erie College of Osteopathic Medicine

State of Florida

Financial Statements and
Supplementary Information

June 30, 2024 and 2023

Lake Erie College of Osteopathic Medicine

Table of Contents
June 30, 2024 and 2023

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	24
Report on Compliance for Each Major Federal and Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, <i>Rules of the Auditor General</i>	26
Supplementary Information	
Financial Responsibility Supplemental Schedule	29
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Schedule of Expenditures of State Financial Assistance	32
Notes to Schedule of Expenditures of State Financial Assistance	33
Schedule of Findings and Questioned Costs – Federal Programs and State Projects	34
Summary of Prior Year Audit Findings	37

Independent Auditors' Report

To the Board of Trustees of
Lake Erie College of Osteopathic Medicine

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lake Erie College of Osteopathic Medicine (the College), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and the financial responsibility supplemental schedule, as required by Title 34 CFR Section 668.172, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of state financial assistance as required by Chapter 10.650, *Rules of Auditor General*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2024 on our consideration of the College'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 College'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 College's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Pittsburgh, Pennsylvania

November 5, 2024, except for our report on the schedule of expenditures of federal awards and financial responsibility supplemental schedule, for which the date is March 14, 2025 and our report on the schedule of expenditures of state financial assistance, for which the date is May 2, 2025.

Lake Erie College of Osteopathic Medicine

Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 140,222,699	\$ 119,565,776
Tuitions receivable	16,207,303	11,396,809
Grants receivable	2,905,186	4,541,811
Due from affiliates	4,890,489	4,475,859
Other receivable	887,591	740,606
Inventories	435,602	345,221
Prepaid expenses and other current assets	6,048,042	6,500,527
Total current assets	171,596,912	147,566,609
Assets Limited as to Use	325,788,458	273,482,760
Long-Term Investments	433,093,514	397,769,410
Other Investments	1,693,804	1,591,014
Other Assets	12,723,525	11,364,985
Property and Equipment, at Cost, Net of Accumulated Depreciation	136,360,196	126,936,912
Operating Lease Right-of-Use Asset	1,065,554	3,103,322
Total assets	<u>\$ 1,082,321,963</u>	<u>\$ 961,815,012</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 9,148,645	\$ 6,153,021
Accrued salaries and other expenses	5,940,953	4,831,467
Current portion of long-term debt	2,200,000	2,200,000
Deferred tuition and other revenue	48,141,818	43,524,946
Due to affiliates	1,005,572	5,368,323
Total current liabilities	66,436,988	62,077,757
Long-Term Debt	49,316,667	51,516,667
Operating Lease Obligation	1,329,052	3,403,741
Other Long-Term Liabilities	1,552,967	1,621,400
Total liabilities	118,635,674	118,619,565
Net Assets		
Without donor restrictions:		
Undesignated	636,675,422	571,552,211
Designated	321,981,307	267,316,478
With donor restrictions	5,029,560	4,326,758
Total net assets	963,686,289	843,195,447
Total liabilities and net assets	<u>\$ 1,082,321,963</u>	<u>\$ 961,815,012</u>

See notes to financial statements

Lake Erie College of Osteopathic Medicine

Statements of Activities and Changes in Net Assets

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Change in Net Assets Without Donor Restrictions		
Revenue, gains and other support:		
Tuition	\$ 162,260,754	\$ 152,844,236
Application fees	1,320,600	1,326,050
Bookstore revenues	628,122	595,721
Pledges and contributions	2,316,808	1,935,252
Investment income	77,444,830	47,682,501
Grant income	14,445,602	15,273,870
Technology fees	1,649,433	1,603,854
Other income	9,962,149	9,590,526
Net assets released from restrictions	22,569	867,203
	<u>270,050,867</u>	<u>231,719,213</u>
Total revenue, gains and other support		
Expenses:		
Salaries and wages	43,935,682	40,390,455
Outside services	27,049,577	24,927,539
Depreciation	9,821,564	9,929,428
Employee benefits	11,660,211	9,666,459
Lease and rental expense	4,153,784	4,442,212
Insurance	3,547,838	3,932,313
Supplies	3,482,541	3,337,119
Repairs and maintenance	2,376,363	2,522,132
Utilities	2,599,337	2,366,207
Dues and subscriptions	2,483,335	2,201,802
Travel and outside education	1,494,448	1,358,143
Real estate taxes	1,134,450	1,110,932
Contributions	266,408	496,565
Other expenses	10,103,669	12,144,999
	<u>124,109,207</u>	<u>118,826,305</u>
Total expenses		
Change in net assets from operating activities	145,941,660	112,892,908
Other Change in Net Assets Without Donor Restrictions		
Transfers to Millcreek Health System, Inc. d/b/a LECOM Health	<u>(26,153,620)</u>	<u>(21,700,000)</u>
Change in net assets without donor restrictions	<u>119,788,040</u>	<u>91,192,908</u>
Change in Net Assets With Donor Restrictions		
Contributions	289,730	315,306
Grants	435,641	23,918
Net assets released from restrictions	<u>(22,569)</u>	<u>(867,203)</u>
Change in net assets with donor restrictions	<u>702,802</u>	<u>(527,979)</u>
Change in net assets	120,490,842	90,664,929
Net Assets, Beginning	<u>843,195,447</u>	<u>752,530,518</u>
Net Assets, Ending	<u><u>\$ 963,686,289</u></u>	<u><u>\$ 843,195,447</u></u>

See notes to financial statements

Lake Erie College of Osteopathic Medicine

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 120,490,842	\$ 90,664,929
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,821,564	9,929,428
Net realized and unrealized gain on investments	(55,264,695)	(31,620,946)
Change in value of interest rate swap	(1,123,540)	(2,701,064)
Transfers to Millcreek Health System, Inc. d/b/a LECOM Health	26,153,620	21,700,000
(Increase) decrease in assets:		
Tuitions receivable	(4,810,494)	(10,344,490)
Grants receivable	1,636,625	2,967,991
Due from affiliates	(414,630)	(2,872,261)
Other receivable	(146,985)	(576,408)
Inventories	(90,381)	119,196
Prepaid expenses and other current assets	415,564	(1,031,016)
Increase (decrease) in liabilities:		
Accounts payable	2,995,624	1,065,276
Accrued salaries and other expenses	1,109,486	(627,947)
Deferred tuition and other revenue	4,616,872	3,137,726
Due to affiliates	(4,362,751)	3,577,834
Long-term liabilities	(68,433)	313,735
Net cash provided by operating activities	<u>100,958,288</u>	<u>83,701,983</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(19,244,848)	(11,822,822)
Purchases of long-lived assets	(235,000)	(323,187)
Proceeds from the sale of investments and assets limited as to use	52,944,093	96,916,578
Purchases of investments and assets limited as to use	<u>(85,411,990)</u>	<u>(222,362,494)</u>
Net cash used in investing activities	<u>(51,947,745)</u>	<u>(137,591,925)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	-	55,000,000
Payments on long-term debt	(2,200,000)	(1,283,333)
Transfers to Millcreek Health System, Inc. d/b/a LECOM Health	<u>(26,153,620)</u>	<u>(21,700,000)</u>
Net cash (used in) provided by financing activities	<u>(28,353,620)</u>	<u>32,016,667</u>
Net change in cash and cash equivalents	20,656,923	(21,873,275)
Cash and Cash Equivalents, Beginning	<u>119,565,776</u>	<u>141,439,051</u>
Cash and Cash Equivalents, Ending	<u>\$ 140,222,699</u>	<u>\$ 119,565,776</u>

See notes to financial statements

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

1. Organization and Summary of Significant Accounting Policies

Organization

Lake Erie College of Osteopathic Medicine (LECOM or the College) was founded in 1992 with the mission to prepare students to become osteopathic physicians, pharmacy practitioners and dentists through programs of excellence in education, research, clinical care and community service to enhance the quality of life through improved health for all humanity. LECOM is designated as an Institution of Higher Education by both the U.S. and Pennsylvania Departments of Education and has full accreditation from the American Osteopathic Association (AOA) and the Middle States Commission on Higher Education. The College operates a school of pharmacy which has a full accreditation from the Accreditation Council for Pharmacy Education (ACPE). The College's dental school has an accreditation from the Commission on Dental Accreditation (CODA), which is handled by the American Dental Association (ADA). The College has four campuses, Erie, Pennsylvania, Greensburg, Pennsylvania, Bradenton, Florida and Elmira, New York, which presently have approximately 2,600 students enrolled in the college of medicine, as well as approximately 1,600 students enrolled in the school of pharmacy, school of dental medicine and graduate studies.

The College is a controlled subsidiary of Millcreek Health systems, Inc. d/b/a LECOM Health (the Parent), a nonprofit corporation that was formed to service the Erie community through education and health care related activities. The Parent's activities are carried out through its subsidiaries - the College, Millcreek Community Hospital, MCH Corporation, LECOM Senior Living Center, Visiting Nurses Association of Erie County, LECOM Nursing and Rehabilitation Center, Corry Memorial Hospital, Corry Counseling of LECOM Health, the Achievement Center of LECOM Health, Inc, LECOM at Elmwood, LECOM at Village Square, and Medical Associates of Erie.

A summary of the College's significant accounting policies follows:

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting whereby revenue is recorded when earned and expenses when incurred.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of LECOM and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions. Net assets without donor restrictions that have been designated by the College's Board of Trustees are shown as designated on the accompanying statements of financial position (Note 9).

Net Assets With Donor Restrictions - Result from contributions, grants, or other inflows of assets whose use by LECOM is limited by donor or grantor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the College pursuant to those stipulations, from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications to or from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the College pursuant to those stipulations. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions consist of donor restricted funds to be utilized for student scholarships and other medical related grant funding for the years ended June 30, 2024 and 2023. LECOM has no net assets with donor restrictions held in perpetuity as of June 30, 2024 or 2023.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

The College reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the required action has been performed, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities and changes in net assets as net assets released from restrictions.

Restricted grant funding received on a reimbursement basis and grants without restrictions are reported as net assets without donor restrictions.

Cash and Cash Equivalents and Deposit Risk

For purposes of reporting its cash flows, the College includes all cash accounts that are not subject to withdrawal restrictions or penalties and all highly liquid debt instruments purchased with a maturity date of three months or less. Cash and cash equivalents consist of highly liquid interest-bearing checking accounts and money market accounts readily convertible to cash.

A reconciliation of cash and cash equivalents reported within the statement of financial position that sum to the total of the same amounts shown on the statements of cash flows is not necessary as the College does not have any restricted cash and cash equivalents. As a matter of policy, the College does not consider investments that are temporarily in cash and cash equivalents form to be subject to this disclosure.

In the normal course of business, the College may have deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The College has not experienced any losses in such accounts.

Tuitions Receivable

Tuitions receivable is stated at the amount the College expects to collect. The College records an allowance for credit losses equal to the estimated uncollectable amounts. The College's estimate is based on historical collection experience and a review of the current status of accounts receivable. The allowance for credit losses equal to the estimated uncollectable amounts were not material for the years ended June 30, 2024 and 2023.

Grants Receivable and Other Receivables

Grants and other receivables are stated at the amount the College expects to collect based on applicable grant requirements or agreements with outside parties.

Investments and Investment Income

Investments in equity securities with readily determinable fair values, derivative obligation and all investments in debt securities are measured at fair value on the statements of financial position. Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenue, gains and other support on the statements of activities and changes in net assets unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in total revenue, gains and other support as the investments are considered trading securities.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

Other Investments

Other investments are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Assets Limited as to Use

Assets limited as to use represent assets set aside by the Board of Trustees for specific purposes and assets set aside in accordance with agreements with lenders, donors and as a result of the College self-funding its malpractice, health and dental insurances.

Other Assets

Other assets are comprised of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest rate swap agreement	\$ 11,060,208	\$ 9,936,668
Long-lived assets	<u>1,663,317</u>	<u>1,428,317</u>
Total other assets	<u>\$ 12,723,525</u>	<u>\$ 11,364,985</u>

The College holds a derivative financial instrument subject to Accounting Standards Codification (ASC) No. 815, *Derivatives and Hedging*, to manage its exposure to interest rate movements. The College has not designated the interest rate swap agreement as a hedging instrument under the accounting standard for derivatives and hedging, nor do they evaluate for the effectiveness of the hedging activity. The College records all derivatives in the accompanying statements of financial position at fair value. The fair value of the interest rate swap generally reflects the estimated amount the College would receive or pay to terminate the contract at the reporting date (see Note 12). The changes in fair value of the interest rate swap are recorded in the statements of activities and changes in net assets.

The following table summarizes the terms of the interest rate swap at June 30, 2024:

	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Fair Value</u>	<u>Fixed Rate</u>	<u>SOFR+ Rate</u>
First National Bank	\$ 51,516,667	November 1, 2022	November 1, 2047	\$ 11,060,208	1.63 %	6.05 %

Long-lived assets are comprised of radio station licenses that have an indefinite life and are not amortized. The College is required to assess long-lived assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. The College performs its annual impairment assessment in the fourth quarter of each year. If the carrying value of the long-lived asset exceeds its fair value, an impairment loss is recognized in the amount equal to that excess.

The College also evaluates the recoverability of its long-lived assets if circumstances indicate impairment may have occurred. This analysis is performed by comparing the respective carrying values to the current and expected future cash flows, on an undiscounted basis, to be generated from such assets. If such analysis indicates that the carrying value of an asset is not recoverable and the fair value of the asset is also less than its carrying value, the assets will be written down by the amount by which the carrying value of the asset exceeded its fair value. However, the carrying amount of an amortizable intangible asset can never be written down below its fair value.

During 2024 and 2023, there was no impairment of long-lived assets.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements
June 30, 2024 and 2023

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair market value on the date of donation. Depreciation of property and equipment is computed using the straight-line method over the estimated useful life of each class of depreciable assets. The general range of useful lives estimated for buildings and building improvements is 10 to 40 years and for equipment is 5 to 25 years.

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included on the statements of activities and changes in net assets.

Revenue and Revenue Recognition

Tuition revenue is recognized over the course of each semester (fall and spring) as instruction is provided to students. Tuition is due from students by the beginning of each applicable semester. Overdue payments are reflected in tuitions receivable as the College has an unconditional right to payment. Tuition included in deferred revenue reflects fall semester tuition collected prior to June 30 (Note 2). Institutional financial aid provided by the College for tuition and fees is reflected as a reduction of tuition and fee revenue. During the years ended June 30, 2024 and 2023, institutional financial aid totaled \$2,560,833 and \$2,508,728, respectively. As tuition contracts have a duration of one year or less, the College has elected to apply the optional exemption prescribed by ASC 606-10-50-14 and, as such, has not disclosed the aggregate transaction price allocated to unsatisfied performance obligations or the time at which the revenue associated with these unsatisfied performance obligations is expected to be recognized. As of June 30, unsatisfied performance obligations under tuition contracts relate solely to the fall semester to be provided from July to December of the subsequent fiscal year. Transaction prices for tuition and fees are approved by the Board of Trustees and allocated based on the applicable published tuition and fees schedules.

Grants revenue is recognized over time as the eligible grant activities are conducted. Grants deemed to be exchange transactions fall under the scope of ASC Topic 606, *Revenue From Contracts With Customers*. The performance obligation for each grant is deemed to be the service itself. Work completed under grants does not result in assets that can be sold to other customers and the College is entitled to payment for work completed to date. Grants that are deemed to be contributions fall under the scope of ASC Topic 958, *Not-for-Profit Entities*. These are deemed to be conditional contributions, as eligible expenditures must be incurred in order to have a right of release of funding from the sponsor. Most grants are cost reimbursement based and incurred expenditures are periodically billed for reimbursement. Transaction prices for grants are determined and allocated based on the budgets included in the respective agreements.

Donor-Restricted Gifts

The College recognizes contributions when cash, securities or other assets; and unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$6,736,372 and \$6,424,245 for the years ended June 30, 2024 and 2023, respectively, and is included in outside services on the statements of activities and changes in net assets.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

Other Changes in Net Assets

Other changes in net assets without donor restrictions which are excluded from results from operations, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services.

Use of Estimates

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

Income Taxes

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is recognized as tax exempt under Section 501(a) of the Code. Accordingly, no provision for income taxes has been provided.

Accounting principles generally accepted in the United States of America require the College to evaluate tax positions taken by the College and recognize a tax liability or asset if the College has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service (IRS). The College has concluded that as of June 30, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements.

Subsequent Events

In preparing these financial statements, the College evaluated events that occurred through November 5, 2024, the date the financial statements were available to be issued, for potential recognition or disclosure.

New Accounting Pronouncement Adopted in Current Year

In June 2016, the Financial Accounting Standards Boards FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the College adopted the ASU using the modified retrospective approach. There was no adjustment to change in net assets upon adoption.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements
June 30, 2024 and 2023

2. Deferred Tuition and Other Revenue

The following table provides information about significant changes in the contract liabilities for the year ended June 30, 2024 and 2023:

Deferred tuition revenue, July 1, 2022	\$ 31,473,767
Revenue recognized that was included in deferred tuition at the beginning of year	(31,473,767)
Increase in deferred tuition due to cash received during the period	<u>34,915,237</u>
Deferred tuition revenue, June 30, 2024	34,915,237
Revenue recognized that was included in deferred tuition at the beginning of year	(34,915,237)
Increase in deferred tuition due to cash received during the period	<u>37,495,751</u>
Deferred tuition revenue, June 30, 2024	<u>\$ 37,495,751</u>
Other contract liabilities, July 1, 2022	\$ 8,913,453
Revenue recognized that was included in other contract liabilities at the beginning of year	(8,913,453)
Increase in contract liabilities due to cash received during the period	<u>8,609,709</u>
Other contract liabilities, June 30, 2023	8,609,709
Revenue recognized that was included in other contract liabilities at the beginning of year	(8,609,709)
Increase in contract liabilities due to cash received during the period	<u>10,646,067</u>
Other contract liabilities, June 30, 2024	<u>\$ 10,646,067</u>

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements
June 30, 2024 and 2023

3. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 140,222,699	\$ 119,565,776
Tuition receivable	16,207,303	11,396,809
Grants receivable	2,905,186	4,541,811
Other receivable	3,893,488	740,606
Total current financial assets	163,228,676	136,245,002
Long-term investments	433,093,514	397,769,410
Total financial assets	596,322,190	534,014,412
Less those unavailable for general expenditures	<u>(5,029,560)</u>	<u>(4,326,758)</u>
Financial assets available to meet cash needs	<u>\$ 591,292,630</u>	<u>\$ 529,687,654</u>

The College manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the College are expected to be met on a monthly basis from tuition revenue. In general, the College maintains sufficient financial assets on hand to meet a minimum of 30 days of normal operating expenses. Although the College does not intend to spend from long-term investments (other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation), these amounts could be made available if necessary.

4. Assets Limited as to Use and Long-Term Investments

Assets limited as to use and long-term investments are presented together in the tables below as there are various investment and cash accounts that are allocated between assets limited as to use and long-term investments on the statements of financial position.

The composition of assets limited as to use and long-term investments, stated at fair value, as of June 30 is as follows:

	<u>2024</u>	<u>2023</u>
Common stocks	\$ 276,076,430	\$ 204,343,318
Mutual funds	85,107,122	93,067,835
Alternative investments	185,167,307	177,634,415
Money market funds	82,807,496	76,445,434
Government securities	60,089,179	63,402,049
Corporate bonds	69,135,253	55,613,046
Certificates of deposit	499,185	746,073
Total	<u>\$ 758,881,972</u>	<u>\$ 671,252,170</u>

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

Investment income is comprised of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Investment income (loss):		
Dividend and interest income, net	\$ 22,180,135	\$ 16,061,556
Net realized (loss) gain on sale of investments	4,093,007	(445,278)
Net unrealized gain (loss) on investments	51,171,688	32,066,223
	<u>51,171,688</u>	<u>32,066,223</u>
Total investment income, net	<u>\$ 77,444,830</u>	<u>\$ 47,682,501</u>

5. Property and Equipment

Property and equipment as of June 30 consist of the following:

	<u>2024</u>	<u>2023</u>
Land and land improvements	\$ 26,509,197	\$ 26,416,589
Buildings and building improvements	200,671,388	179,281,883
Furniture and equipment	42,813,812	40,225,385
Construction in progress	7,548,446	12,579,609
	<u>277,542,843</u>	<u>258,503,466</u>
Less accumulated depreciation	<u>141,182,647</u>	<u>131,566,554</u>
Total property and equipment, net	<u>\$ 136,360,196</u>	<u>\$ 126,936,912</u>

Under the terms of a grant received from the federal Department of Health and Human Services, the building located at 1858 West Grandview Boulevard, Erie, Pennsylvania, may not be sold, mortgaged or used as collateral without the written permission of the Secretary of the Department of Health and Human Services. The cost of the building and all related improvements included in buildings and building improvements above was \$25,761,361.

6. Related-Party Transactions

On the statements of financial position, included in due from / to affiliates, are amounts owed from / to various subsidiaries of Millcreek Health System, Inc. d/b/a LECOM Health for normal operating items.

Due from affiliates consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Millcreek Community Hospital	\$ 573,949	\$ 2,485,686
Medical Associates of Erie	623,728	-
Corry Memorial Hospital Association d/b/a LECOM Health		
Corry Memorial Hospital	166,964	1,079,333
LECOM at Presque Isle, Inc. d/b/a LECOM Nursing and Rehabilitation Center	228,737	515,857
The Visiting Nurse Association of Erie County	148,946	155,080
Millcreek Health System, Inc. d/b/a LECOM Health	-	163,635
LECOM at Elmwood	3,065,690	-
Achievement Center, Inc. d/b/a Achievement Center of LECOM Health	82,475	76,268
	<u>82,475</u>	<u>76,268</u>
Total	<u>\$ 4,890,489</u>	<u>\$ 4,475,859</u>

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

Due to affiliates consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Millcreek Manor d/b/a LECOM Senior Living Center and Subsidiary	\$ 527,082	\$ 3,638,284
Medical Associates of Erie	-	1,128,677
Other	<u>478,490</u>	<u>601,362</u>
Total	<u>\$ 1,005,572</u>	<u>\$ 5,368,323</u>

The College made the following transfers of cash and cash equivalents during the years ended June 30:

	<u>2024</u>	<u>2023</u>
Millcreek Manor d/b/a LECOM Senior Living Center	\$ 3,228,120	\$ 16,000,000
Medical Associates of Erie	6,500,000	-
Millcreek Community Hospital	<u>16,425,500</u>	<u>5,700,000</u>
Total	<u>\$ 26,153,620</u>	<u>\$ 21,700,000</u>

LECOM also is involved with various transactions with the other entities controlled by Millcreek Health System, Inc. d/b/a LECOM Health.

7. General and Malpractice Insurance

The College is self-insured for claims occurring through February 1, 2021, with limits of \$500,000 per occurrence and an annual aggregate ranging from \$1,500,000 to \$2,500,000. The self-insured program is maintained and administered in the Millcreek Health System Medical Professional Liability Self-Insured Trust Fund. For claims occurring after February 1, 2021, the College is insured on a claims-made basis through LECOM Health Risk Retention group with limits of \$500,000 per occurrence and an annual aggregate of \$2,500,000. The College is also insured by LECOM Health Risk Retention group for general liability on an occurrence basis with per claim limits of \$1,000,000 and an annual aggregate of \$2,000,000. The College continues to be eligible for coverage under the MCare fund with limits of \$500,000 per occurrence and \$1,500,000 in aggregate.

The College has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of claims. The College accrues the undiscounted estimated liability associated with claims. Accrued liabilities, related to the self-insured plan as well as claims that have been incurred but not reported, amounted to approximately \$1,038,000 and \$1,079,000 as of June 30, 2024 and 2023, respectively and are included in accrued salaries and other expenses on the statements of financial position.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements
June 30, 2024 and 2023

8. Long-Term Debt

Long-term obligations as of June 30 consist of the following:

	<u>2024</u>	<u>2023</u>
Nonrevolving term loan with First National Bank of Pennsylvania. Monthly principal payments of \$183,333, plus interest, calculated as 1-Month LIBOR plus 0.60% through October 2047. In July 2023, the interest rate converted to a one-month Secured Overnight Financing Rate (SOFR) plus 0.60% (6.05% as of June 30, 2024).	\$ 51,516,667	\$ 53,716,667
Current portion of long-term debt	<u>(2,200,000)</u>	<u>(2,200,000)</u>
Total	<u>\$ 49,316,667</u>	<u>\$ 51,516,667</u>

The approximate aggregate maturities for long-term obligations as of June 30, 2024 are as follows:

Years ending June 30:	
2025	\$ 2,200,000
2026	2,200,000
2027	2,200,000
2028	2,200,000
2029	2,200,000
Thereafter	<u>40,516,667</u>
Total	<u>\$ 51,516,667</u>

The nonrevolving term loan with First National Bank is collateralized by certain long-term investments of the College. The related loan agreement contains certain restrictions, including a requirement to maintain at all times a minimum margin value of at least the outstanding amount of the obligations, and to provide additional collateral immediately upon request if the minimum margin value is not maintained. In the opinion of management, the College was in compliance with the provisions of the loan agreement.

9. Board Designated Net Assets

The College's Board of Trustees has designated cumulatively a portion of the College's net assets without donor restrictions for the following purposes as of June 30:

	<u>2024</u>	<u>2023</u>
Reserve fund	\$ 129,367,060	\$ 109,414,607
Building and capital improvements fund	116,893,382	98,928,534
General scholarship fund	68,465,209	55,337,916
Other scholarship funds	5,817,876	2,352,221
Deferred compensation fund	<u>1,437,780</u>	<u>1,283,200</u>
Total	<u>\$ 321,981,307</u>	<u>\$ 267,316,478</u>

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

10. Tax-Sheltered Annuity Plan

LECOM participates in a tax-sheltered annuity (TSA) plan (Plan) under Section 403(b) of the Internal Revenue Code. Employees may contribute up to the maximum annual amount, as set periodically by the Internal Revenue Service, of their annual salary to the Plan. Assets are managed by an appointed trustee. The Plan for years ended June 30, 2024 and 2023, provided that the College match 133% of eligible participant's contribution up to a maximum of 6% of the employee's salary. The College's match of contributions for the years ended June 30, 2024 and 2023, amounted to \$2,028,341 and \$2,028,186, respectively, and is included in employee benefits on the statements of activities and changes in net assets.

11. Functional Expenses

The College provides osteopathic medical, pharmacy and dental education to students in Erie, Pennsylvania, Greensburg, Pennsylvania, Bradenton, Florida and Elmira, New York. The College uses actual time incurred by personnel to allocate various costs between educational services and general and administrative for salaries and wages and employee benefits. All other expenses that are neither allocated based on hours or direct cost, have been allocated based on originating department. Expenses related to providing these educational services are as follows for the years ended June 30:

	2024		
	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 31,194,334	\$ 12,741,348	\$ 43,935,682
Outside services	27,049,577	-	27,049,577
Depreciation	-	9,821,564	9,821,564
Employee benefits	8,278,750	3,381,461	11,660,211
Lease and rental expense	4,153,784	-	4,153,784
Insurance	-	3,547,838	3,547,838
Supplies	3,482,541	-	3,482,541
Repairs and maintenance	2,376,363	-	2,376,363
Utilities	2,599,337	-	2,599,337
Dues and subscriptions	-	2,483,335	2,483,335
Travel and outside education	-	1,494,448	1,494,448
Real estate taxes	-	1,134,450	1,134,450
Contributions	-	266,408	266,408
Other expenses	-	10,103,669	10,103,669
Total	<u>\$ 79,206,404</u>	<u>\$ 44,974,521</u>	<u>\$ 124,109,207</u>

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

	2023		
	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 28,677,233	\$ 11,713,222	\$ 40,390,455
Outside services	24,927,539	-	24,927,539
Depreciation	-	9,929,428	9,929,428
Employee benefits	6,863,186	2,803,273	9,666,459
Lease and rental expense	4,442,212	-	4,442,212
Supplies	3,337,119	-	3,337,119
Insurance	-	3,932,313	3,932,313
Repairs and maintenance	2,522,132	-	2,522,132
Utilities	2,366,207	-	2,366,207
Dues and subscriptions	-	2,201,802	2,201,802
Travel and outside education	-	1,358,143	1,358,143
Real estate taxes	-	1,110,932	1,110,932
Contributions	-	496,565	496,565
Other expenses	-	12,144,999	12,144,999
Total	<u>\$ 73,135,628</u>	<u>\$ 45,690,677</u>	<u>\$ 118,826,305</u>

12. Fair Value of Financial Instruments

Authoritative guidance regarding *Fair Value Measurements* establishes a framework for measuring fair value. This guidance defines fair value, establishes a framework and hierarchy for measuring fair value and outlines the related disclosure requirements. The guidance indicates that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability based upon an exit price model. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

The table below presents the balances of assets measured at fair value on a recurring basis as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets whose use is limited and long-term investments:				
Government securities	\$ -	\$ 60,089,179	\$ -	\$ 60,089,179
Corporate bonds	-	69,135,253	-	69,135,253
Mutual funds	85,107,122	-	-	85,107,122
Common stocks	276,076,430	-	-	276,076,430
Money market funds	82,807,496	-	-	82,807,496
Certificates of deposit	499,185	-	-	499,185
Alternative investments, at net asset value	-	-	-	185,167,307
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets whose use is limited and long-term investments	444,490,233	129,224,432	-	758,881,972
Interest rate swap	-	11,060,208	-	11,060,208
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets at fair value	<u>\$ 444,490,233</u>	<u>\$ 140,284,640</u>	<u>\$ -</u>	<u>\$ 769,942,180</u>

The table below presents the balances of assets measured at fair value on a recurring basis as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets whose use is limited and long-term investments:				
Government securities	\$ -	\$ 63,402,049	\$ -	\$ 63,402,049
Corporate bonds	-	55,613,046	-	55,603,046
Mutual funds	93,067,835	-	-	93,067,835
Common stocks	204,353,318	-	-	204,353,318
Money market funds	76,445,434	-	-	76,445,434
Certificates of deposit	746,073	-	-	746,073
Alternative investments, at net asset value	-	-	-	177,634,415
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets whose use is limited and long-term investments	374,612,660	119,015,095	-	671,252,170
Interest rate swap	-	9,936,668	-	9,936,668
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets at fair value	<u>\$ 374,602,660</u>	<u>\$ 128,951,763</u>	<u>\$ -</u>	<u>\$ 681,188,838</u>

The College has no financial assets or financial liabilities that are recorded at fair value on a nonrecurring basis.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

The following methods were used by the College in estimating the fair value of its financial instruments. There were no changes in the methodologies used as of June 30, 2024 or 2023:

Government Securities - The carrying amounts reported on the statements of financial position for government securities are based on quoted market prices, if available, or quoted market prices of similar securities.

Corporate Bonds - The carrying amounts reported on the statements of financial position for corporate bonds are based on quoted market prices, if available, or quoted market prices of similar securities.

Mutual Funds - The carrying amounts reported on the statements of financial position for mutual funds are based on quoted market prices.

Common Stocks - The carrying amounts reported on the statements of financial position for common stocks are based on quoted market prices.

Money Market Funds - The carrying amounts reported on the statements of financial position for money market funds are based on \$1 per unit held.

Certificates of Deposit - The carrying amounts reported on the statements of financial position for certificates of deposit are based on amortized costs plus accrued interest, which are not representative of fair value. Therefore, they are not classified in the fair value hierarchy.

Alternative Investments - The estimated carrying amounts reported on the statements of financial position for alternative investments are not readily marketable and are presented at net asset value (NAV) per share as determined by the investment managers of the specific financial instrument. The underlying investments themselves are subject to various risks, including market, credit, liquidity and foreign exchange risk. The College's risk of alternative investments is limited to its carrying value. Alternative investments can be divested only at specific times in accordance with terms of the subscription agreements. Because these financial instruments are not readily marketable, the estimated carrying value is subject to uncertainty, and, therefore, may differ from the value that would have been used had a market for such financial instruments existed. Under current accounting standards, investments using the NAV are to be excluded from the fair value hierarchy. In addition to exclusion from the fair value hierarchy, current accounting standards also provide for additional qualitative disclosures, which management has determined to be immaterial to the users of the financial statements.

Interest Rate Swap - The fair value of interest rate swap takes into consideration the prevailing interest rate environment and the specific terms and conditions of the interest rate swap and considers the credit risk of the College. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instrument and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the College would pay to terminate the agreement.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair Value of Investments That Calculate Net Asset Value

Alternative investments are valued using the net assets value (NAV) provided by the administrator of the related fund. The NAV is based on the value of the underlying assets owned by the fund minus applicable costs and liabilities and then divided by the number of shares outstanding. The following represents the investment strategies of the alternative investments.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

Name of Fund	Fair Value June 30, 2024	Fair Value June 30, 2023	Investment Strategy	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
RIVERVIEW CHFS - CAYMAN	\$ 52,357,303	\$ 41,364,585	(A)	\$ -	Various	Various
AL. NEYER INDUSTRIAL II-Q, LLC	13,650,000	10,600,000	(B)	8,777,000	None	None
AL. NEYER INDUSTRIAL I-Q, LLC	13,507,181	15,918,091	(C)	175,000	None	None
ICAPITAL VINTAGE III	10,360,102	10,521,236	(D)	2,068,000	None	None
ALPHAKEYS MILLENIUM FD TD CLASS B SERIES 1	9,711,621	8,527,191	(E)	-	Quarterly	105 days
SPRING LAKE UNCONSTRAINED MUNICIPAL OPPORTUNITIES	7,664,715	6,958,005	(F)	-	Quarterly	30 days
ALKEON GROWTH	7,156,584	5,424,475	(G)	-	Quarterly	20 days
BOYD WATTERSON GSA FUND	5,716,391	6,153,217	(H)	-	None	None
BOYD WATTERSON STATE GOVERNMENT FUND	5,456,832	5,884,824	(I)	-	None	None
DYAL IV OFFSHORE INVESTORS	4,413,914	3,816,497	(J)	3,409,000	None	None
OPENGATE CAPITAL PARTNERS II-A OFFSHORE	4,332,140	4,038,327	(K)	409,000	None	None
ICAPITAL VINTAGE IV ACCE	3,910,643	3,710,837	(L)	298,000	None	None
DYAL V OFFSHORE INVESTORS	3,376,571	2,839,411	(M)	7,059,000	None	None
BRIDGE WORKFORCE AND AFFORDABLE HOUSING	2,906,558	3,160,851	(N)	22,300	None	None
CARNELIAN ENERGY CAPITAL IV LP	1,781,713	1,357,956	(O)	1,452,300	None	None
ALTIRA TECHNOLOGY VI OVERFLOW FUND II LLC	1,528,609	1,414,135	(P)	-	None	None
(LCM) CQS DIRECTIONAL OPPORTUNITIES FUND CL	1,172,388	1,021,481	(Q)	-	Monthly	180 days
(LCM) ICAPITAL TUATARA CAPITAL FUND LP	965,523	1,658,427	(R)	-	None	None
(LCM) RENAISSANCE IE FUND	-	5,724,350	(S)	-	Monthly	30 days
PERSISTENT EDGE ASIA PARTNERS	-	4,522,948	(T)	-	Quarterly	35 days
(LCM) ICAPITAL KKR PRIVATE MARKETS FUND CL I	-	1,590,011	(U)	-	Quarterly	Note required
OTHER, No single fund exceeding \$4,038,000	35,198,519	31,427,560	Various	-	Various	Various
	<u>\$ 185,167,307</u>	<u>\$ 177,634,415</u>		<u>\$ 23,669,600</u>		

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

Riverview Custom Hedge Fund Solutions (Cayman) L.P. (the Partnership) was organized under the acts of the Cayman Islands as an exempt limited partnership on July 23, 2007. The Partnership commenced operations on March 1, 2008. The Partnership's investment objective is to seek capital appreciation principally through investing in investment funds managed by third party investment managers who employ a variety of alternative investment strategies. Investments of the Partnership are selected opportunistically from the full range of nontraditional liquid market strategies and managers available globally. Nontraditional instruments, such as total return swaps, forwards or options, may be used when the Advisor believes the risk adjusted returns or diversification benefits from such instruments may be compelling.

- (A) AL Neyer Industrial Fund II-Q (the Fund), commenced operations on April 5, 2022. The Fund was organized as a private real estate investment fund. The Fund was formed for the purpose of facilitating a direct investment in industrial real estate properties (the Investments) with the strategy of acquiring, developing, constructing, owning, operating, financing, managing, leasing and selling real estate investments. The Investments owned by the Fund are located in Ohio, North Carolina, Pennsylvania and Tennessee.
- (B) AI Neyer Industrial Fund I-Q, LLC (the Fund), an Ohio limited liability company, commenced operations on February 24, 2021. The Fund was organized as an investment vehicle for Qualified Purchasers, as defined under Securities and Exchange Commission regulations to participate in AI Neyer Industrial Fund I, Holdings, LLC (Holdings). The Fund's investment activities via Holdings, are focused on land acquisition and the development of income producing industrial real estate facilities that are leased to creditworthy corporate customers.
- (C) Diversified Core Private Equity Fund. Originated in 2018, this unique fund was developed by iCapital, an internationally renowned developer and distributor of alternative investment solutions. iCapital's Vintage program combines a strategic mix of private investment solutions. Vintage III provides a weighted exposure to four underlying high-performing private equity fund managers, with a focus on large and middle market corporate buyout, as well as growth equity opportunities.
- (D) Alphakeys Millennium Fund (Offshore), Ltd. (the Alphakeys Fund) seeks to invest substantially all of its investable assets in Millennium International Ltd. (the Millennium Fund). The Millennium Fund's principal trading objective is to achieve above-average appreciation by opportunistically trading and investing in a wide variety of securities, instruments and other investment opportunities and engaging in a broad array of trading and investment strategies.
- (E) Spring Lake Unconstrained Municipal Opportunities Fund, LLC objective is to maximize total return by actively pursuing relative value opportunities in the tax-exempt and taxable municipal bond markets. The Manager uses its credit and trading experience and expertise to identify undervalued investment opportunities. The Fund will invest in municipal securities that the Manager believes possess attractive total return potential relative to their credit risk. The majority of the portfolio investments will consist of bonds whose credit quality is in the investment grade category. The Fund employs the use of leverage as well as various hedging strategies to reduce the interest rate sensitivity and correlation to the overall bond market.
- (F) Alkeon Growth Offshore Fund, Ltd. was incorporated under the laws of the Cayman Islands and is registered under the Cayman Islands Mutual Funds Law. The Fund is a "feeder" fund in a "master-feeder" structure whereby the Fund invests substantially all of its capital in Alkeon Growth Master Fund, Ltd. (the Master Fund). The Master Fund's investment objective is to achieve maximum capital appreciation, and pursues this objective by investing in assets primarily in equity securities of U.S. and foreign companies that the Investment Manager believes are well positioned to benefit from demand for their products or services, including companies that can innovate or grow rapidly relative to their peers in their markets.
- (G) Boyd Watterson GSA Fund, L.P. and Subsidiary was formed to acquire, develop, own and operate a diversified portfolio of real estate investments in commercial property. The Fund was formed as a partnership between Boyd Watterson GSA GP, LLC and numerous limited partners.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

- (H) Boyd Watterson State Government Fund, L.P. was formed to acquire, develop, own and operate a diversified portfolio of real estate investments in commercial property. The Fund was formed as a partnership between Boyd Watterson State Government GP, LLC and numerous limited partners.
- (I) Dyal IV Offshore Investors LP (the Fund) was formed on September 14, 2017 as a Cayman Islands exempted limited partnership. The Fund had its Initial Closing on April 6, 2018. The Fund commenced operations on April 26, 2018 (the Date of Commencement). The general partner of the Fund is Dyal Associates IV LP (the General Partner). The Fund is managed by Dyal IV Advisors LLC (the Investment Advisor). The Fund invests substantially all of its investable assets in Dyal Capital Partners IV (A) LP, Dyal Capital Partners IV (B) LP and Dyal Capital Partners IV (C) LP (collectively, the Dyal IV Holding Funds). The Fund and the Dyal IV Holding Funds have the same investment objective. The Dyal IV Holding Funds are closed-ended investment partnerships formed as Cayman Islands exempted limited partnerships. Each Dyal Capital Partners IV constituent fund participates in each of the Dyal IV Holding Funds' underlying investments in proportion to the dollars committed to such underlying investment.
- (J) OpenGate Capital, a global private equity firm, maintains a strategy to invest in lower middle market businesses throughout North America and Europe across four focus industries: Industrials, Technology, Consumer and Business Services. With a strategic international presence and a focus on corporate carve-outs and complex situations, the firm's expertise allows it to realize a seller's divestiture objectives while mitigating the risks associated with a business's transition to independence.
- (K) The investment objective of the Underlying Fund is to invest primarily in companies that are undergoing complex financial, operational or structural change, for which it believes the firm's expertise and value investing approach can generate attractive risk-adjusted returns. The investment objective of the Underlying Fund 2 is to realize superior returns through medium-term and long-term capital appreciation, primarily through equity investments in growth-stage as well as more mature software, software-enabled services and internet companies. The investment objective of the Underlying Fund 3 is to make investments in middle-market companies that provide critical products and services, primarily technology or technology-enabled solutions, to government and commercial customers worldwide in the target industries of aerospace & defense, communications, education, energy, government services, healthcare, national security, software and other sectors supported by a government-related customer base or impacted by government regulation or policy. The investment objective of the Underlying Fund 4 is to make investments in North America based industrial and manufacturing middle-market companies that are undergoing complex financial, operational or structural change.
- (L) Dyal V Offshore Investors LP (the Fund) was formed on March 25, 2020 as a Cayman Islands exempted limited partnership. The Fund had its Initial Closing on November 13, 2020. The Fund's Investment Period commenced on October 1, 2020 (the Date of Commencement). The general partner of the Fund is Dyal Associates V LP (the General Partner). The Fund is managed by Dyal V Advisors LLC (the Investment Advisor). The Fund invests substantially all of its investable assets in Dyal Capital Partners V (A) LP, Dyal Capital Partners V (B) LP and Dyal Capital Partners V (C) LP (collectively, the Dyal V Holding Funds). The Fund and the Dyal V Holding Funds have the same investment objective. Dyal Capital Partners V (A) LP and Dyal Capital Partners V (B) LP are closed-ended investment partnerships formed as Delaware limited partnerships. Dyal Capital Partners V (C) LP is a closed-ended investment partnership formed as a Cayman Islands exempted limited partnership.
- (M) Organized under the laws of the State of Delaware to acquire, hold, develop, improve, renovate, expand, operate, manage, maintain and eventually sell real estate and real estate related investments in the United States. The Partnerships' real estate investments are generally made through individual companies which are set up as limited liability companies or limited partnerships.

Lake Erie College of Osteopathic Medicine

Notes to Financial Statements

June 30, 2024 and 2023

- (N) Carnelian Energy Capital IV, L.P. (Partnership) is a limited partnership formed on October 6, 2021, under the laws of the State of Delaware. Carnelian Energy Capital GP IV, L.P., a Delaware limited partnership (General Partner), is the general partner of the Partnership. The Partnership is organized primarily for the object and purpose of acquiring oil and gas investments mainly in the upstream, midstream and oilfield services sectors of North America.
- (O) Altira Technology VI Overflow Fund (the Fund) was formed on May 21, 2021 for the primary purpose of making one or more venture capital investments in and holding the resulting securities of Seeq Corporation.
- (P) High conviction, multi-asset class strategy managed by Lord Hintze, CQS' Founder. The Fund's approach is focused on identifying themes and harvesting mispricings across global asset markets, utilizing an investment team which is experienced in assessing complexity across the capital structure.
- (Q) iCapital Tuatara Capital Fun, L.P. (formerly known as Altegris Tuatara Capital Fund, L.P.) (the Partnership), is a Delaware limited partnership organized in August 2018 and commenced operations on January 19, 2019. The partnerships invests substantially all of its assets, net of necessary reserves and expenses, in the limited partnership interests of Tuatara Capital Fund II, L.P., a Delaware limited partnership.
- (R) Renaissance Institution Equities Fund (RIEF) invests primarily in U.S. and Non-U.S. equity securities publicly trades on U.S. exchanges, including ADRs (and derivatives thereon), based on a quantitative, long-biased investment strategy. RIEF is intended to achieve over the long-term a risk adjusted return rate that, on a gross basis, exceeds that of the S&P 500 Index with dividends reinvested. RIEF seeks a higher Sharpe ratio than the S&P 500 Index a beta to the S&P 500 Index of 0.4 or lower and the generation of most returns as alpha relative to the S&P 500 Index.
- (S) The Fund is the feeder fund in a master/feeder structure and has invested substantially all of its assets in Persistent Edge Asia Partners Master Fund, L.P. (the Master Fund), a partnership incorporated in the Cayman Islands whose trading strategy is directed by the Investment Manager. As of December 31, 2022, the Fund invests in the Master Fund for an amount of US \$283,770,590 which represents 76.82% of the Master Fund's Partnership's capital.
- (T) The Fund's investment objective is to seek long-term capital appreciation. The Fund invests and/or makes capital commitments of at least 80% of its assets in or to private equity investments of any type, sponsored or advised by Kohlberg Kravis Roberts & Co. Inc. or an affiliate thereof (collectively, KKR), including primary offerings and secondary acquisitions of interests in alternative investment funds that pursue private equity strategies (Investment Funds) and co-investment opportunities, including Direct Access Co-Investments (Direct Access) and Syndicated Co-Investments (Co-Investments), in operating companies (Co-Investment Opportunities and, together with Investment Funds and Equity Securities, Investment Interests) presented by such KKR Investment Funds or by KKR including through special purpose vehicles of which KKR serves as general partner. However, the Fund may at any time determine to allocate its assets to investments not sponsored or issued by, or otherwise linked to, KKR or its affiliates and to strategies and asset classes not representative of private equity.

**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 Auditors' Report

To the Board of Trustees of
Lake Erie College of Osteopathic Medicine

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 (*Government Auditing Standards*), the financial statements of Lake Erie College of Osteopathic Medicine (the College), which comprise the College's statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2024, except for our report on the schedule of expenditures of federal awards and financial responsibility supplemental schedule, for which the date is March 14, 2025 and our report on the schedule of expenditures of state financial assistance, for which the date is May 2, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

New Castle, Pennsylvania
November 5, 2024

**Report on Compliance
for Each Major Federal and Major State Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General***

Independent Auditors' Report

To the Board of Trustees of
Lake Erie College of Osteopathic Medicine

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Lake Erie College of Osteopathic Medicine's (the College) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and Chapter 10.650, *Rules of the Auditor General* (Chapter 10.650) that could have a direct and material effect on each of the College's major federal and state programs for the year ended June 30, 2024. The College's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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), and Chapter 10.650. Our responsibilities under those standards and the Uniform Guidance and Chapter 10.650 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal and state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state 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 or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001, to be a significant deficiency.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.



New Castle, Pennsylvania
May 2, 2025

Lake Erie College of Osteopathic MedicineFinancial Responsibility Supplemental Schedule
Year Ended June 30, 2024**Financial Statement and Line Name or Note Location****Primary Reserve Ratio**

Expendable Net Assets		
Statement of Financial Position	Net assets without donor restrictions	\$ 958,656,729
	Net assets with donor restrictions	
Statement of Financial Position		5,029,560
Statement of Financial Position	Net assets with donor restrictions - time or purpose	5,029,560
Note 6	Unsecured related party receivable	4,890,489
Statement of Financial Position	Total property, plant and equipment, net (including CIP)	136,360,196
Note 1	Intangible assets	1,663,317
Total Expenses and Losses Without Donor Restrictions		
Statement of Activities	Total expenses without donor restrictions	\$ 124,109,207
Statement of Activities	Non-Operating and Net Investment (loss)	26,153,620

Equity Ratio

Modified Net Assets		
Statement of Financial Position	Net assets without donor restrictions	\$ 958,656,729
Statement of Financial Position	Net assets with donor restrictions	5,029,560
Note 1	Intangible assets	1,663,317
Note 6	Unsecured related party receivables	4,890,489
Modified Assets		
Statement of Financial Position	Total assets	\$ 1,082,321,963
Note 1	Intangible assets	1,663,317
Note 6	Unsecured related party receivables	4,890,489

Net Income Ratio

Statement of Activities	Change in net assets without donor restrictions	\$ 119,788,040
Total Revenues and Gains Without Donor Restrictions		
Statement of Activities	Total operating revenue and other additions (gains)	\$ 270,050,867

Lake Erie College of Osteopathic Medicine

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Grant Number	Federal Expenditures
U.S. Department of Education				
Student Financial Aid Cluster				
Federal Direct Student Loans	84.268	N/A	N/A	<u>\$ 203,043,724</u>
U.S. Department of Health and Human Services				
Health Resources and Services Administration				
Mental and Behavioral Health Education and Training Grants	93.732	N/A	N/A	1,185,910
PPHF Geriatric Education Centers	93.969	N/A	N/A	865,684
Screening Brief Intervention and Referral to Treatment	93.788	Pennsylvania Commission on Crime and Delinquency	39084	84,255
Centers for Disease Control and Prevention				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Pennsylvania Department of Health	4100090881	<u>3,612,188</u>
Total U.S. Department of Health and Human Services				<u>5,748,037</u>
Total expenditures of federal awards				<u>\$ 208,791,761</u>

See notes to schedule of expenditures of federal awards

Lake Erie College of Osteopathic Medicine

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal and Florida state award activity of the Lake Erie College of Osteopathic Medicine (the College) under programs of the federal and Florida state governments for the year ended June 30, 2024. 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 College, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the College.

2. Summary of Significant Accounting Policies

The accompanying schedule is presented on the accrual basis of accounting. The amounts reported in the schedule as federal and state expenditures may differ from certain financial reports submitted to federal, state or local funding agencies due to those reports being submitted on either a cash or modified cash 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.

3. Indirect Cost Rate

The College has elected to use the 10% de minimis indirect cost rate.

Lake Erie College of Osteopathic Medicine

Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2024

<u>State Granting Agency/Grant Program Title</u>	<u>Florida CSFA Number</u>	<u>Grant Award Period</u>	<u>Total Grant Amount</u>	<u>Fiscal Year Expenditures</u>
Florida Department of Health Community Health Promotion	64.157	07/01/23 - 06/30/24	\$ 2,500,000	\$ 2,500,000
Total expenditures of Florida State Financial Assistance			<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

See notes to schedule of expenditures of state financial assistance

Lake Erie College of Osteopathic Medicine

Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2024

1. Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance (the schedule) includes the Florida state award activity of the Lake Erie College of Osteopathic Medicine (the College) under programs of the Florida state government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General* (Chapter 10.650). Because the schedule presents only a selected portion of the operations of the College, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the College.

2. Summary of Significant Accounting Policies

The accompanying schedule is presented on the accrual basis of accounting. The amounts reported in the schedule as state expenditures may differ from certain financial reports submitted to federal, state or local funding agencies due to those reports being submitted on either a cash or modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in Chapter 10.650, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Lake Erie College of Osteopathic Medicine

Schedule of Findings and Questioned Costs – Federal Programs and State Projects
Year Ended June 30, 2024

Section I - Summary of Auditors' 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	_____ no	_____ <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	_____ yes	_____ no	_____ <input checked="" type="checkbox"/> none reported

Noncompliance material to financial statements noted? _____ no

Federal Awards and State Projects

Internal control over major federal programs or state projects:

Material weakness(es) identified?	_____ yes	_____ no	_____ <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	_____ <input checked="" type="checkbox"/> yes	_____ no	_____ none reported

Type of auditors' report issued on compliance for the major federal programs or state projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ no

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General*? _____ yes _____ no

Auditee qualified as low-risk auditee? _____ yes _____ no

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

Identification of major federal and Florida state programs:

Assistance Listing/Florida CSFA Number(s)	Name of Federal and Florida Grantor/Program or Cluster
84.268	Federal Programs: Student Financial Aid Cluster
93.969	Federal Direct Student Loans Rehabilitation Services Vocational Rehabilitation Grants to States
64.157	Florida Program: Community Health Promotion

Lake Erie College of Osteopathic Medicine

Schedule of Findings and Questioned Costs – Federal Programs and State Projects
Year Ended June 30, 2024

Section II - Financial Statement Findings

None.

Section III –

Federal Award Findings and Questioned Costs

Finding 2024-001: Student Status Changes - Significant Deficiency

Federal Program: Student Financial Assistance Cluster, Federal Direct Student Loans

Federal Agency: U.S. Department of Education

Compliance Requirement: Special Tests and Provisions

Assistance Listing Number: 84.268

Federal Award Year: June 30, 2024

Repeat Finding of 2023-001

Criteria: Title IV regulations (34 CFR Section 685.309(b)) require that upon receipt of an enrollment from the Secretary, institutions must update all information included in the report and return the report to the Secretary: (i) in the manner and format prescribed by the Secretary; and (ii) within the timeframe prescribed by the Secretary. Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, an institution must notify the Secretary within 30 days after the date the institution discovers that: (i) a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or (ii) a student who is enrolled at the institution and who received a loan under Title IV of the Act has changed his or her permanent address.

Condition: The College did not notify the National Student Loan Data System (NSLDS) in a timely manner for 6 students with status changes in our sample of 25 students. Of the 6 students reported incorrectly, 3 were late due to the same circumstances identified in the prior year. The sample was not a statistically valid sample.

Questioned Costs: There are no questioned costs associated with this finding.

Cause: The College's procedures for reporting all students were not designed appropriately in order to allow for timely reporting to the NSLDS. The circumstances causing these issues were not identified and new procedures were not adopted to address reporting issues until March of 2024, which only addressed a portion of the current fiscal year.

Effect: The accuracy of Title IV student loan records depends heavily on the accuracy of the enrollment information reported by schools. If an institution does not review, update and verify the student's enrollment status, effective dates of the enrollment status and the anticipated completion dates, then the Title IV student loan records will be inaccurate.

Recommendation: We recommend that the College review its procedures for student status changes and NSLDS notifications to ensure there are follow-up and review procedures being performed for all students with status changes at the College.

Management Response: Management concurs with the finding.

Lake Erie College of Osteopathic Medicine

Schedule of Findings and Questioned Costs – Federal Programs and State Projects
Year Ended June 30, 2024

State Award Findings and Questioned Costs

None.

Lake Erie College of Osteopathic Medicine

Summary of Prior Year Audit Findings
Year Ended June 30, 2024

Section IV - Summary of Prior Year Audit Findings

Finding 2023-001: Material Weakness - Student Status Changes

Condition: The College did not notify the National Student Loan Data System (NSLDS) in a timely manner for 24 students with status changes in our sample of 25 students. The sample was not a statistically valid sample.

Status: During the year ended June 30, 2024, the College corrected the circumstances that caused the late reporting of the student status changes. The College updated its policies and procedures to ensure notification to the NSLDS are performed timely, including formal training of responsible parties within the registrar and financial aid functions. Because this condition was still present during part of the subsequent year, it is a repeat finding in 2024. See Finding 2024-001.

Finding 2023-002: Material Weakness in Internal Controls Over Preparation of the Schedule of Expenditures of Federal Awards

Criteria: Nonfederal entities in receipt of federal funds must comply with the requirements of 2 CFR

Condition: Subsequent to the issuance of the report on compliance, it was noted that there was an omission of a federal grant with expenditures totaling \$5,804,472 from the original schedule of expenditures of federal awards.

Current Status: No such finding in 2024.