

SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Directors
Schnee Learning Center
2222 Issaquah Street
Cuyahoga Falls, Ohio 44221

We have reviewed the *Independent Auditor's Report* of the Schnee Learning Center, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 10, 2021

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**SCHNEE LEARNING CENTER
SUMMIT COUNTY**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Schnee Learning Center
2222 Issaquah Street
Cuyahoga Falls, Ohio 44221

Report on the Financial Statements

We have audited the accompanying financial statements of the Schnee Learning Center, Summit County, Ohio, (the "Center") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schnee Learning Center, Summit County, Ohio, as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the Center will continue as a going concern. As disclosed in Note 9 to the financial statements, the Center has suffered recurring losses from operations and has a net position deficit raises substantial doubt about its ability to continue as a going concern. Note 9 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of the uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021 on our consideration of the Center'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 Center'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 Center's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
November 23, 2021

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (UNAUDITED)

The management's discussion and analysis of the Schnee Learning Center (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Center's financial performance.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the Center for the 2020-2021 year are as follows:

- Total Assets decreased \$10,960
- Total Liabilities increased \$58,808
- Total Net Position decreased \$69,768
- Total Operating and Non-Operating Revenues were \$945,045. Total Operating Expenses were \$1,014,813.

USING THIS ANNUAL REPORT

This report consists of three parts: the required supplemental information, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the Center did financially during fiscal year 2021. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the Center's Net Position and changes in that position. This change in Net Position is important because it tells the reader whether the financial position of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Center's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The Center uses enterprise presentation for all of its activities.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (UNAUDITED)**

Statement of Net Position - The Statement of Net Position answers the question of how the Center did financially during 2021. This statement includes all assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Center's Net Position for fiscal year 2021 and 2020.

**Table 1
Statement of Net Position**

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets	\$ 110,432	\$ 119,069
Capital Assets, Net	2,324	4,647
Total Assets	<u>112,756</u>	<u>123,716</u>
Liabilities		
Current Liabilities	276,075	217,267
Non-Current Liabilities	460,695	460,695
Total Liabilities	<u>736,770</u>	<u>677,962</u>
Net Position		
Invested in Capital Assets	2,324	4,647
Unrestricted	(626,338)	(558,893)
Total Net Position	<u>\$ (624,014)</u>	<u>\$ (554,246)</u>

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2021, the Center's net position totaled \$(624,014).

Current assets represent cash and cash equivalents, intergovernmental receivable, and prepaid assets. Current liabilities represent accounts payable, accrued expenses and amounts Due to Summit County Educational Service Center at fiscal year-end. Total assets decreased due to decreases in cash from operations offset by increases in intergovernmental receivables due to additional COVID-19 related funding, spent but not reimbursed at year end. Total liabilities increased due to increases in accrued expenses and amounts due to Summit County ESC.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (UNAUDITED)

Statement of Revenues, Expenses and Changes in Net Position - Table 2 shows the changes in Net Position for fiscal year 2021 and 2020, as well as a listing of revenues and expenses.

Table 2
Change in Net Position

	2021	2020
Operating Revenues		
State Aid	\$ 653,227	\$ 737,589
Miscellaneous	2,193	1,977
Total Operating Revenues	<u>655,420</u>	<u>739,566</u>
Operating Expenses		
Purchased Services	956,418	903,894
Supplies	44,118	19,690
Depreciation	2,323	2,323
Operating Expenses	<u>11,954</u>	<u>2,534</u>
Total Operating Expenses	1,014,813	928,441
Operating Income (Loss)	(359,393)	(188,875)
Non-Operating Revenues		
Federal and State Grants	286,185	139,586
Other Grants	3,440	-
Contributions and Donations	-	114
Total Revenues/ (Expenses)	<u>289,625</u>	<u>139,700</u>
Change in Net Position	(69,768)	(49,175)
Net Position, Beginning of Year	<u>(554,246)</u>	<u>(505,071)</u>
Net Position, End of Year	<u>\$ (624,014)</u>	<u>\$ (554,246)</u>

During the year, operating revenues decreased from the prior year by \$84,146 due to a decrease in enrollment. Non-operating revenues increased due to additional reimbursable grants related to COVID-19. Operating expenses increased in correlation to the increase in reimbursable grants and annual increases for contracts with Summit County ESC for personnel costs.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (UNAUDITED)

CAPITAL ASSETS

At fiscal year-end, the Center's net capital asset balance was \$2,324. For more information on capital assets, see Note 4 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The Center is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In 2021, the State decreased the base per pupil funding to \$5,980, which is down from \$6,020 in the previous year. This decrease was attributable to the impacts of COVID-19 (See Note 10). Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based. This amount is projected to be \$250 per pupil.

The full-time equivalent enrollment of the School for the year ended June 30, 2021 was 78 compared to a figure of 88 at the end of fiscal year 2020.

Overall, the Center will continue to provide learning opportunities and apply resources to best meet the needs of the students served.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Center's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact the Center's Fiscal Officer, C. David Massa, CPA, of Massa Financial Solutions, LLC, 2222 Issaquah Street, Cuyahoga Falls, Ohio 44221-0396.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO
Statement of Net Position
June 30, 2021**

Assets:

Current Assets:

Cash and Cash Equivalents	\$	72,395
Intergovernmental Receivable		37,576
Prepaid Expenses		<u>461</u>
Total Current Assets		<u><u>110,432</u></u>

Noncurrent Assets:

Capital Assets, Net		<u>2,324</u>
Total Noncurrent Assets		<u><u>2,324</u></u>

Total Assets 112,756

Liabilities:

Current Liabilities:

Accounts Payable, Trade		21,918
Accrued Expenses		23,988
Due to Summit County ESC		<u>230,169</u>
Total Current Liabilities		<u><u>276,075</u></u>

Noncurrent Liabilities:

Due To Cuyahoga Falls BOD		<u>460,695</u>
Total Noncurrent Liabilities		<u><u>460,695</u></u>

Total Liabilities 736,770

Net Position:

Invested in Capital Assets		2,324
Unrestricted		<u>(626,338)</u>
Total Net Position	\$	<u><u>(624,014)</u></u>

See Accompanying Notes to the Basic Financial Statements

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2021**

Operating Revenues:	
State Aid	\$ 653,227
Miscellaneous	2,193
Total Operating Revenues	<u>655,420</u>
 Operating Expenses:	
Purchased Services	956,418
Supplies	44,118
Depreciation	2,323
Other Operating Expenses	11,954
Total Operating Expenses	<u>1,014,813</u>
 Operating Income (Loss)	 (359,393)
 Non-Operating Revenues and (Expenses):	
Federal and State Restricted Grants	286,185
Other Grants	3,440
Net Non-operating Revenues and (Expenses)	<u>289,625</u>
 Change in Net Position	 (69,768)
 Net Position - Beginning of Year	 (554,246)
Net Position - End of Year	<u><u>\$ (624,014)</u></u>

See Accompanying Notes to the Basic Financial Statements

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

State Aid Receipts	\$	653,227
Miscellaneous		2,193
Cash Payments to Suppliers for Goods and Services		<u>(953,682)</u>
Net Cash Provided By (Used For) Operating Activities		<u>(298,262)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Other Grants		3,440
Federal and State Grant Receipts		<u>249,897</u>
Net Cash Provided By Noncapital Financing Activities		<u>253,337</u>

Net Increase/(Decrease) in Cash and Cash Equivalents (44,925)

Cash and Cash Equivalents - Beginning of the Year	<u>117,320</u>
Cash and Cash Equivalents - Ending of the Year	<u><u>\$ 72,395</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities

Operating Income (Loss)	\$	(359,393)
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**Adjustments to Reconcile Operating Income (Loss) to
Net Cash Provided By (Used For) Operating Activities:**

Depreciation Expense		2,323
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:		
Increase/(Decrease) in Accrued Expenses		23,988
Increase/(Decrease) in Accounts Payable		2,249
Increase/(Decrease) in Due to Summit County ESC		<u>32,571</u>
Net Cash Provided By (Used For) Operating Activities	\$	<u>(298,262)</u>

See Accompanying Notes to the Basic Financial Statements

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - DESCRIPTION OF THE ENTITY

The Schnee Learning Center (the "Center") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a conversion school in Cuyahoga Falls City School District addressing the needs of students in grades 9-12. The Center, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Center is an approved tax-exempt organization. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax-exempt status. The Center may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Center.

The Center's objective is to deliver a comprehensive educational program that is tied to state and national standards for at-risk students in grade 9 through grade 12. It is to be operated under a contract with the Sponsor to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive and standards-based educational program.

The Center was certified by the State of Ohio Secretary of State as a non-profit organization on July 22, 2005. The Center was approved for operation under a contract with the Cuyahoga Falls Board of Directors for five years commencing July 1, 2005, which the Cuyahoga Falls City School District served as Sponsor. On July 1st, 2015, the Center renewed the contract for another five-year period, however the contract was assigned to the Ohio Department of Education's Office of School Sponsorship (the Sponsor) on May 1, 2018, due to the Ohio Department of Education revoking the Cuyahoga Falls School District's sponsorship. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Center served 78 students during fiscal year 2021.

The Center operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Treasurer is the Chief Financial Officer of the Center. Treasurer and fiscal services are provided by Massa Financial Solutions, LLC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The more significant of the Center's accounting policies are described below.

Basis of Presentation - The Center's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes in Net Position, financial position and cash flows.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus and Basis of Accounting - The accounting and financial reporting treatment is determined by measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. Under this measurement focus, all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total Net Position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process - Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Center and its Sponsor. The contract between the Center and its Sponsor does not require the Center to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

Cash and Cash Equivalents - Cash received by the Center is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The Center did not have any investments during the period ended June 30, 2021.

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

Capital Assets and Depreciation - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The Center maintains a capitalization threshold of \$5,000. The Center does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment consists of computers and equipment which are depreciated over three to ten years. Software is depreciated over three years.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying Statement of Net Position.

Intergovernmental Revenues - The Center currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis.

The Center also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the Center recorded \$653,227 this fiscal year from the Foundation Program and \$286,185 from Federal grants and other intergovernmental sources.

Net Position - Net position represents the difference between assets and liabilities. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Center on a reimbursement basis.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Deferred Inflows and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the Center that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the Center that is applicable to a future reporting period. Other revenues received in advance of the fiscal year for which they were intended to finance, are recorded as deferred inflows. The Center has no deferred inflows and has no deferred outflows of resources at June 30, 2021.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activities of the Center. For the Center, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2021.

Implementation of New Accounting Principles - For the fiscal year ended June 30, 2021, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB Statement No. 90, *Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61*, and certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Center.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Center.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the Center.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 3 - CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” as amended by GASB Statement No. 40, “Deposit, and Investment Risk Disclosures”.

At June 30, 2021, the carrying amount of the Center’s deposits was \$72,395. Based upon the criteria described in GASB Statement No. 40, all of the Center’s bank balance of \$88,598 was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

The Center had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2021, all of the bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 4 - CAPITAL ASSETS

For the period ending June 30, 2021, the Center’s capital assets consist of the following:

	Balance <u>06/30/20</u>	Additions	Deletions	Balance <u>06/30/21</u>
Capital Assets:				
Furniture & Equipment	\$ 6,125	\$ -	\$ -	\$ 6,125
Computers & Software	<u>213,946</u>	<u>-</u>	<u>-</u>	<u>213,946</u>
Total Capital Assets	<u>220,071</u>	<u>-</u>	<u>-</u>	<u>220,071</u>
Less Accumulated Depreciation:				
Furniture & Equipment	(6,125)	-	-	(6,125)
Computers & Software	<u>(209,299)</u>	<u>(2,323)</u>	<u>-</u>	<u>(211,622)</u>
Total Accumulated Depreciation	<u>(215,424)</u>	<u>(2,323)</u>	<u>-</u>	<u>(217,747)</u>
Total Capital Assets, Net	<u>\$ 4,647</u>	<u>\$ (2,323)</u>	<u>\$ -</u>	<u>\$ 2,324</u>

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 5 - RISK MANAGEMENT

Property & Liability - The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2021, the Center contracted with the Indiana Insurance Company for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate coverage. Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior year.

NOTE 6 - CONTINGENCIES

Grants - The Center received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the Center, any such adjustments will not have a material adverse effect on the financial position of the Center.

Litigation - There are currently no matters in litigation with the Center as defendant.

Full-Time Equivalency - School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the School for fiscal year 2021.

As of the date of this report, all ODE adjustments for fiscal year 2021 have been completed which did not result in a material liability of the Center.

In addition, the Center's contract with their Sponsor require payment based on revenues received from the State. As discussed above, all ODE FTE adjustments for fiscal year 2021 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 7 - SPONSOR

During the fiscal year, the Center contracted with the Office of Ohio School Sponsorship (a division of ODE) for sponsor and oversight services as required by law. Sponsorship fees were calculated at 3% of per pupil funding received from the State of Ohio and equaled \$19,645 during 2021. As referred to in Note 1, there was a change in Sponsor as Cuyahoga Falls City School District's sponsorship being revoked by the Ohio Department of Education.

NOTE 8 - PURCHASED SERVICES

For the period of July 1, 2020 through June 30, 2021, the Center made the following purchased services commitments.

<u>Purchased Services</u>	<u>Amount</u>
Professional Services	\$ 782,382
Property Services	99,585
Utilities	23,289
Travel & Meetings	827
Communications	669
Contractual Trade	49,666
Total	<u>\$ 956,418</u>

Purchased Services include amounts paid to Summit County Educational Service Center for staffing services in the amount of \$626,383. Also included in the above are payments to the Cuyahoga Falls City Schools (the Center's former Sponsor) for rent, utilities, staffing and reimbursement of other miscellaneous expenses from the current year in the amount of \$131,204. In May 2018, Cuyahoga Falls City Schools agreed to keep the rent expense at \$6,551 a month through June 30, 2021. There was also \$460,695 reflected on the Statement of Net Position as being "Due to the Cuyahoga Falls BOD" for amounts accrued in prior fiscal years that remains unpaid.

NOTE 9 – MANAGEMENT'S PLAN

The Center had a decrease in net position of \$69,768 during the fiscal year, and total liabilities exceed assets by \$624,014. Management intends to eliminate these deficits by increasing enrollment, reevaluating staffing levels and applying for grant funds.

NOTE 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the Center received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidation Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 11 – SUBSEQUENT EVENTS

For fiscal year 2022, community school foundation funding received from the state of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. For fiscal year 2021, the Center reported \$653,227 in revenue related to these programs. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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

To the Board of Directors
Schnee Learning Center
2222 Issaquah Street
Cuyahoga Falls, Ohio 44221

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Schnee Learning Center, Summit County, Ohio (the “Center”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Center’s basic financial statements, and have issued our report thereon dated November 23, 2021, in which we noted the Center has recurring losses and a net position deficiency that raises substantial doubt about its ability to continue as a going concern.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center’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 Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
November 23, 2021

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OHIO AUDITOR OF STATE KEITH FABER



SCHNEE LEARNING CENTER

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/23/2021

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

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