

**TOMORROW CENTER
COMMUNITY SCHOOL
MORROW COUNTY, OHIO**

AUDIT REPORT

**FOR THE BIENNIAL FISCAL YEARS
ENDED JUNE 30, 2021 AND JUNE 30, 2020**

James G. Zupka, CPA, Inc.
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Members of the Board
Tomorrow Center Community School
3700 CR 168
Cardington, OH 43315

We have reviewed the *Independent Auditor's Report* of Tomorrow Center Community School, Morrow County, prepared by James G. Zupka, CPA, Inc., for the audit period July, 1 2019 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. Tomorrow Center Community School is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 28, 2022

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**TOMORROW CENTER COMMUNITY SCHOOL
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AUDIT REPORT
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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Tomorrow Center Community School
Cardington, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Tomorrow Center Community School, Morrow 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 Center'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 Center'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 Tomorrow Center Community School as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center. As discussed in Note 12 to the basic financial statements, the school foundation aid received from the State of Ohio will be funded through the direct funding model. Our opinion is not modified with respect to these matters.

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 December 21, 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 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 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.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 21, 2021

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**Tomorrow Center Community School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

The management's discussion and analysis of the Tomorrow Center Community School's (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 the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- In total, net position was \$545,561 at June 30, 2021, an increase of \$137,329 from 2020.
- The Center had operating revenues of \$869,365 and operating expenses of \$1,205,444 for fiscal year 2021. The Center's operating loss for the fiscal year was \$336,179.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center's financial activities. The *statement of net position* and *statement of revenues, expenses and change in net position* provide information about the activities of the Center, including all short-term and long-term financial resources and obligations.

Reporting the Center Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Change in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2021?" The statement of net position and the statement of revenues, expenses and change in net position answer this question. These statements include *all assets and deferred outflows of resources*, and *liabilities and deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Center as a whole, 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.

The Statement of Cash Flows reflects how the center finances and meets cash flow needs.

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**Tomorrow Center Community School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

The table below provides a summary of the Center's net position for 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Assets:		
Current and Other Assets	\$509,120	\$373,641
Capital Assets	<u>41,669</u>	<u>56,284</u>
Total Assets	<u>550,789</u>	<u>429,925</u>
Liabilities:		
Current Liabilities	<u>5,228</u>	<u>21,693</u>
Total Liabilities	<u>5,228</u>	<u>21,693</u>
Net Position:		
Investment in Capital Assets	41,669	56,284
Restricted	0	6,137
Unrestricted	<u>503,892</u>	<u>345,811</u>
Total Net Position	<u><u>\$545,561</u></u>	<u><u>\$408,232</u></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 \$545,561, a 34% increase from fiscal year 2020.

Total assets increased primarily due to an increase in pooled cash and cash equivalents and intergovernmental receivable amounts. Total liabilities decreased due to a decrease in payables.

At year end, capital assets represented 8% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

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**Tomorrow Center Community School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

The table below shows the changes in net position for fiscal year 2021 and 2020.

	Change in Net Position	
	2021	2020
Operating Revenues:		
State Foundation	\$809,789	\$1,032,882
Other Revenues	59,576	16,064
Total Operating Revenues	869,365	1,048,946
Operating Expenses:		
Contract Services	1,115,127	1,213,862
Materials and Supplies	36,789	67,618
Depreciation	14,615	17,253
Other Expenses	39,013	52,843
Total Operating Expenses	1,205,544	1,351,576
Operating Income (Loss)	(336,179)	(302,630)
Non-Operating Revenues:		
Investment Earnings	46	126
State and Federal Grants	473,462	289,729
Total Non-Operating Revenues	473,508	289,855
Change in Net Position	137,329	(12,775)
Net Position - Beginning of Year	408,232	421,007
Net Position - End of Year	\$545,561	\$408,232

Total operating revenues decreased due to a decrease in both State Foundation revenues and other revenues. Total operating expenses increased primarily due to an increase in contract services expenses.

Capital Assets

At June 30, 2021, the Center had \$41,669 invested in furniture and equipment net of accumulated depreciation. The net decrease in capital assets was due to current year depreciation expense exceeded current year additions. See Note 5 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The Center is a conversion community school sponsored by the Mid-Ohio ESC. The Center entered into a new agreement with Mid-Ohio ESC during 2020.

**Tomorrow Center Community School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

Like most traditional schools, the Center is a labor-intensive endeavor. Unlike traditional schools however, a community school cannot levy any taxes and must survive on State and Federal revenues and donations. At this time, the Center relies solely on the resources provided through State and Federal funding.

The Center is committed to operating within its financial means, and to working with the local community and agencies it serves to provide the required educational programs for these students.

Contacting the Center's Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the resources it receives. If you have any questions, or concerns, about this report or need additional financial information, contact the Treasurer at 3700 County Road 168, Cardington, Ohio 43315.

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Tomorrow Center Community School
Statement of Net Position
June 30, 2021

	<u>Tomorrow Center</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$392,093
Receivables:	
Accounts	26,234
Intergovernmental	<u>90,793</u>
Total Current Assets	<u>509,120</u>
Noncurrent Assets:	
Depreciable Capital Assets, Net	<u>41,669</u>
Total Noncurrent Assets	<u>41,669</u>
Total Assets	<u>550,789</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	<u>5,228</u>
Total Liabilities	<u>5,228</u>
Net Position:	
Investment in Capital Assets	41,669
Unrestricted	<u>503,892</u>
Total Net Position	<u><u>\$545,561</u></u>

See accompanying notes to the basic financial statements.

Tomorrow Center Community School
Statement of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended June 30, 2021

	<u>Tomorrow Center</u>
Operating Revenues:	
State Foundation	\$809,789
Other Revenues	<u>59,576</u>
Total Operating Revenues	<u>869,365</u>
Operating Expenses:	
Contract Services	1,115,127
Materials and Supplies	36,789
Depreciation	14,615
Other Expenses	<u>39,013</u>
Total Operating Expenses	<u>1,205,544</u>
Operating Income (Loss)	<u>(336,179)</u>
Non-Operating Revenues:	
Investment Earnings	46
State and Federal Grants	<u>473,462</u>
Total Non-Operating Revenues	<u>473,508</u>
Change in Net Position	137,329
Net Position - Beginning of Year	<u>408,232</u>
Net Position - End of Year	<u><u>\$545,561</u></u>

See accompanying notes to the basic financial statements.

Tomorrow Center Community School
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

	<u>Tomorrow Center</u>
Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$843,131
Cash Payments from Contractual Services	(1,131,592)
Cash Payments for Materials and Supplies	(36,789)
Cash Payments for Other Expenses	(39,013)
Net Cash Provided (Used) by Operating Activities	<u>(364,263)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Grants	<u>382,669</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>382,669</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>46</u>
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>46</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,452
Cash and Cash Equivalents - Beginning of Year	<u>373,641</u>
Cash and Cash Equivalents - End of Year	<u><u>\$392,093</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(\$336,179)
Adjustments:	
Depreciation	14,615
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(26,234)
Increase (Decrease) in Accounts Payable	(14,655)
Increase (Decrease) in Intergovernmental Payable	<u>(1,810)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$364,263)</u></u>

See accompanying notes to the basic financial statements.

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021**

Note 1 - Description of the Center

Tomorrow Center Community School (the "Center") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is an approved tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. 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's objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, that includes therapeutic opportunities which can be delivered to students in the grades 3 through 12. The Center is a public school that provides an alternative to the traditional educational setting. The Center serves a student population who are identified as at risk due to drug and/or alcohol involvement, severe emotional disturbance, multiple disabilities, partial hospitalization, or as an alternative to suspension/expulsion. The Center, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Center may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Center was certified by the State of Ohio Secretary of State as a non-profit organization on April 23, 2002. The Center entered into a sponsorship contract with Mid-Ohio Educational Service Center for a four-year period effective July 1, 2020. 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 operates under the direction of a five-member Board of Directors. The Center's Board of Directors is appointed by the following agencies on a pro-rated basis. Cardington-Lincoln Local Schools Board of Education (2) representatives, Morrow County Job and Family Services (1) representative, Central Ohio Mental Health Center (1) representative, and Recovery Prevention Resources (1) representative. Directors each serve a two year term. A resignation or vacancy on the Board of Directors will be appointed for the remaining term by the agency that has representation. 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 Center has developed a cooperative arrangement with the Sponsor.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center's significant accounting policies are described below.

Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021**

Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, all liabilities and deferred inflows are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Center's contract with its Sponsor. The contract between the Center and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

Cash and Cash Equivalents

All monies received by the Center are deposited in a demand deposit account.

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 values on the date donated. The Center maintains a capitalization threshold of \$500. 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. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Furniture and equipment is depreciated over five to fifteen years.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Center. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Investment in capital assets, consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021**

The Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Intergovernmental Revenue

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 are met.

Federal and State grants are recognized as non-operating revenues in the accounting period in which all 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 expense requirements, in which the resources are provided to the Center on a reimbursement basis.

The Center participates in various programs through the Ohio Department of Education. These include the Title I, Title II-A, and IDEA grants.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Income Taxes

The Center is exempt from Federal income tax as an exempted affiliate of a governmental unit. Accordingly, no income tax expense is recorded in the accompanying financial statements.

Generally accepted accounting principles require the Center to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying financial statement of net position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statement of revenues, expenses and changes in net position. The Center believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

Note 3 – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2021, \$143,744 of the Center's bank balance of \$393,744 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name.

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021**

Eligible securities pledged to the Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Note 4 – Receivables

Receivables at June 30, 2021, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full.

Note 5 – Capital Assets

A summary of capital assets at June 30, 2021 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital Assets, being depreciated:</i>				
Equipment	\$492,057	\$0	\$0	\$492,057
Totals at Historical Costs	<u>492,057</u>	<u>0</u>	<u>0</u>	<u>492,057</u>
Less Accumulated Depreciation:				
Equipment	<u>435,773</u>	<u>14,615</u>	<u>0</u>	<u>450,388</u>
Total Accumulated Depreciation	<u>435,773</u>	<u>14,615</u>	<u>0</u>	<u>450,388</u>
Capital Assets, Net	<u>\$56,284</u>	<u>(\$14,615)</u>	<u>\$0</u>	<u>\$41,669</u>

Note 6 – Related Party Transactions

For fiscal year ended June 30, 2021, contract services expenses through Mid-Ohio Educational Service Center were as follows:

Sponsorship Fee	\$26,962
Supplies	<u>90</u>
	<u>\$27,052</u>

The above transactions are related party transactions since these services are purchased through the Sponsor, Mid-Ohio Educational Service Center.

The Treasurer for the Tomorrow Center is also the Treasurer for GOAL Digital Academy. GOAL Digital Academy provides employment services to the Tomorrow Center (see Note 9 for additional information.)

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021**

Note 7 – Risk Management

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. The Center is contracted for the following coverage provided by Schools of Ohio Risk Sharing Authority.

Total Policy coverage - includes the following:

Blanket Building and Personal Property limit (\$500 deductible)	\$150,000
Equipment Breakdown (\$500 deductible)	\$150,000
Auto Liability & Uninsured/underinsured motorist	\$15,000,000
Medical payments per person/each accident	\$10,000/\$25,000
Educator's Legal Liability (\$4,000 deductible)	\$15,000,000
General Annual Aggregate Liability	\$17,000,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2020.

Note 8 - Contingencies

Litigation

The Center is not involved in any other litigation that, in the opinion of management, would have a material effect on the financial statements.

Foundation Funding

Foundation funding is based on the annualized full-time equivalency (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 fiscal year end.

Under Ohio Revised Code Section 3314.08, ODE may also perform an 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.

As of the date of this report, additional ODE adjustments for fiscal year 2021 have been finalized.

In addition, the Center's contract with its Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2021 have been completed. The impact on the fiscal year 2021 financial statements, related to the additional reconciliation necessary with this contract, is not material to the financial statements.

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021**

Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2021.

Note 9 – Employment Services Agreement with GOAL Digital Academy

The Center entered into an employment services agreement with GOAL Digital Academy (GDA) starting in fiscal year 2019. Under the agreement, GDA provides employees to fill available positions at the Center. GDA is considered the employer of these employees and will pay all expenses in connection with these employees including retirement, healthcare, workers compensation and unemployment compensation. The Center agrees to pay GDA in advance the estimated costs of the employees. During the month of June each year, the Center shall pay GDA any additional amount owed for the school year in excess of the amount paid or GDA will refund to the Center any excess payments. During fiscal year 2021, the Center paid GDA \$782,299 for employment services.

Note 10 – Operating Lease

On July 3, 2015 the Center moved into a building located at 3700 County Road 168 Cardington, Ohio 43315, which is leased by Cardington-Lincoln Local School District. On June 8, 2020 the Tomorrow Center entered into a four-year lease beginning July 1, 2020 at an annual rate of \$100,000. During fiscal year 2021, the Center made rental payments of \$120,000 with the remaining difference to be applied in the subsequent period.

Note 11 – 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 Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Note 12 – Subsequent Event

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 were funded to the school who, in turn, made the payment to the respective community school. 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.

JAMES G. ZUPKA, C.P.A., INC.

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

To the Members of the Board
Tomorrow Center Community School
Cardington, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

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 Tomorrow Center Community School, Morrow 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 December 21, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center, and the school foundation aid received from the State of Ohio will be funded through the direct funding model.

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 21, 2021

**TOMORROW CENTER COMMUNITY SCHOOL
MORROW COUNTY OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2021**

The prior audit report, as of June 30, 2020, included a management letter comment, which was corrected in this audit period.

**TOMORROW CENTER
COMMUNITY SCHOOL
MORROW COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2020**

James G. Zupka, CPA, Inc.
Certified Public Accountants

**TOMORROW CENTER COMMUNITY SCHOOL
MORROW COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Tomorrow Center Community School
Cardington, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Tomorrow Center Community School, Morrow County, Ohio, (the Center) as of and for the year ended June 30, 2020, 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 Center'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 Center'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 Tomorrow Center Community School as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the basic financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Center. 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 December 21, 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 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 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.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 21, 2021

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**Tomorrow Center Community School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

The management's discussion and analysis of the Tomorrow Center Community School's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2020. 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 the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position was \$408,232 at June 30, 2020, a decrease of \$12,775 from 2019.
- The Center had operating revenues of \$1,048,946 and operating expenses of \$1,351,576 for fiscal year 2020. The Center's operating loss for the fiscal year was \$302,630.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center's financial activities. The *statement of net position* and *statement of revenues, expenses and change in net position* provide information about the activities of the Center, including all short-term and long-term financial resources and obligations.

Reporting the Center Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Change in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2020?" The statement of net position and the statement of revenues, expenses and change in net position answer this question. These statements include *all assets and deferred outflows of resources*, and *liabilities and deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Center as a whole, 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.

The Statement of Cash Flows reflects how the center finances and meets cash flow needs.

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**Tomorrow Center Community School
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

The table below provides a summary of the Center’s net position for 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Assets:		
Current and Other Assets	\$373,641	\$365,117
Capital Assets	<u>56,284</u>	<u>58,295</u>
Total Assets	<u>429,925</u>	<u>423,412</u>
Liabilities:		
Current Liabilities	<u>21,693</u>	<u>2,405</u>
Total Liabilities	<u>21,693</u>	<u>2,405</u>
Net Position:		
Investment in Capital Assets	56,284	58,295
Restricted	6,137	6,137
Unrestricted	<u>345,811</u>	<u>356,575</u>
Total Net Position	<u><u>\$408,232</u></u>	<u><u>\$421,007</u></u>

Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2020, the Center’s net position totaled \$408,232, a 3% decrease from fiscal year 2019.

Total assets increased primarily due to an increase in pooled cash and cash equivalents. Total liabilities increased due to an increase in payables.

At year end, capital assets represented 13% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

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**Tomorrow Center Community School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

The table below shows the changes in net position for fiscal year 2020 and 2019.

	Change in Net Position	
	2020	2019
Operating Revenues:		
State Foundation	\$1,032,882	\$1,134,969
Other Revenues	16,064	51,384
Total Operating Revenues	<u>1,048,946</u>	<u>1,186,353</u>
Operating Expenses:		
Contract Services	1,213,862	1,143,393
Materials and Supplies	67,618	69,247
Depreciation	17,253	14,333
Other Expenses	52,843	48,835
Total Operating Expenses	<u>1,351,576</u>	<u>1,275,808</u>
Operating Income (Loss)	<u>(302,630)</u>	<u>(89,455)</u>
Non-Operating Revenues:		
Investment Earnings	126	143
State and Federal Grants	289,729	194,503
Total Non-Operating Revenues	<u>289,855</u>	<u>194,646</u>
Change in Net Position	(12,775)	105,191
Net Position - Beginning of Year	<u>421,007</u>	<u>315,816</u>
Net Position - End of Year	<u><u>\$408,232</u></u>	<u><u>\$421,007</u></u>

Total operating revenues decreased due to a decrease in both State Foundation revenues and other revenues. Total operating expenses increased primarily due to an increase in contract services expenses.

Capital Assets

At June 30, 2020, the Center had \$56,284 invested in furniture and equipment net of accumulated depreciation. The net decrease in capital assets was due to current year depreciation expense exceeded current year additions. See Note 5 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The Center is a conversion community school sponsored by the Mid-Ohio ESC. The Center entered into a new agreement with Mid-Ohio ESC during 2018.

**Tomorrow Center Community School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Like most traditional schools, the Center is a labor-intensive endeavor. Unlike traditional schools however, a community school cannot levy any taxes and must survive on State and Federal revenues and donations. At this time, the Center relies solely on the resources provided through State and Federal funding.

The Center is committed to operating within its financial means, and to working with the local community and agencies it serves to provide the required educational programs for these students.

Contacting the Center's Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the resources it receives. If you have any questions, or concerns, about this report or need additional financial information, contact the Treasurer at 3700 County Road 168, Cardington, Ohio 43315.

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Tomorrow Center Community School
Statement of Net Position
June 30, 2020

	<u>Tomorrow Center</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$373,641</u>
Total Current Assets	<u>373,641</u>
Noncurrent Assets:	
Depreciable Capital Assets, Net	<u>56,284</u>
Total Noncurrent Assets	<u>56,284</u>
Total Assets	<u>429,925</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	19,883
Intergovernmental Payable	<u>1,810</u>
Total Liabilities	<u>21,693</u>
Net Position:	
Investment in Capital Assets	56,284
Restricted:	
Federally Funded Programs	6,137
Unrestricted	<u>345,811</u>
Total Net Position	<u>\$408,232</u>

See accompanying notes to the basic financial statements.

Tomorrow Center Community School
Statement of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended June 30, 2020

	<u>Tomorrow Center</u>
Operating Revenues:	
State Foundation	\$1,032,882
Other Revenues	<u>16,064</u>
Total Operating Revenues	<u>1,048,946</u>
Operating Expenses:	
Contract Services	1,213,862
Materials and Supplies	67,618
Depreciation	17,253
Other Expenses	<u>52,843</u>
Total Operating Expenses	<u>1,351,576</u>
Operating Income (Loss)	<u>(302,630)</u>
Non-Operating Revenues:	
Investment Earnings	126
State and Federal Grants	<u>289,729</u>
Total Non-Operating Revenues	<u>289,855</u>
Change in Net Position	(12,775)
Net Position - Beginning of Year	<u>421,007</u>
Net Position - End of Year	<u><u>\$408,232</u></u>

See accompanying notes to the basic financial statements.

Tomorrow Center Community School
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

	Tomorrow Center
Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$1,048,946
Cash Payments from Contractual Services	(1,194,574)
Cash Payments for Materials and Supplies	(67,618)
Cash Payments for Other Expenses	(52,843)
Net Cash Provided (Used) by Operating Activities	(266,089)
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Grants	294,493
Net Cash Provided (Used) by Noncapital Financing Activities	294,493
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Acquisitions	(15,242)
Net Cash Provided (Used) by Capital and Related Financing Activities	(15,242)
Cash Flows from Investing Activities:	
Earnings on Investments	126
Net Cash Provided (Used) by Cash Flows from Investing Activities	126
Net Increase (Decrease) in Cash and Cash Equivalents	13,288
Cash and Cash Equivalents - Beginning of Year	360,353
Cash and Cash Equivalents - End of Year	\$373,641
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(\$302,630)
Adjustments:	
Depreciation	17,253
Changes in Assets & Liabilities:	
Increase (Decrease) in Accounts Payable	17,886
Increase (Decrease) in Intergovernmental Payable	1,402
Net Cash Provided (Used) by Operating Activities	(\$266,089)

See accompanying notes to the basic financial statements.

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Note 1 - Description of the Center

Tomorrow Center Community School (the "Center") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is an approved tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. 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's objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, that includes therapeutic opportunities which can be delivered to students in the grades 3 through 12. The Center is a public school that provides an alternative to the traditional educational setting. The Center serves a student population who are identified as at risk due to drug and/or alcohol involvement, severe emotional disturbance, multiple disabilities, partial hospitalization, or as an alternative to suspension/expulsion. The Center, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Center may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Center was certified by the State of Ohio Secretary of State as a non-profit organization on April 23, 2002. The Center entered into a sponsorship contract with Mid-Ohio Educational Service Center for a two-year period effective July 1, 2018. 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 operates under the direction of a five-member Board of Directors. The Center's Board of Directors is appointed by the following agencies on a pro-rated basis. Cardington-Lincoln Local Schools Board of Education (2) representatives, Morrow County Job and Family Services (1) representative, Central Ohio Mental Health Center (1) representative, and Recovery Prevention Resources (1) representative. Directors each serve a two year term. A resignation or vacancy on the Board of Directors will be appointed for the remaining term by the agency that has representation. 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 Center has developed a cooperative arrangement with the Sponsor.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center's significant accounting policies are described below.

Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, all liabilities and deferred inflows are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Center's contract with its Sponsor. The contract between the Center and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

Cash and Cash Equivalents

All monies received by the Center are deposited in a demand deposit account.

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 values on the date donated. The Center maintains a capitalization threshold of \$500. 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. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Furniture and equipment is depreciated over five to fifteen years.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Center. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Investment in capital assets, consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

The Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Intergovernmental Revenue

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 are met.

Federal and State grants are recognized as non-operating revenues in the accounting period in which all 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 expense requirements, in which the resources are provided to the Center on a reimbursement basis.

The Center participates in various programs through the Ohio Department of Education. These include the Title I, Title II-A, and IDEA grants.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Income Taxes

The Center is exempt from Federal income tax as an exempted affiliate of a governmental unit. Accordingly, no income tax expense is recorded in the accompanying financial statements.

Generally accepted accounting principles require the Center to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying financial statement of net position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statement of revenues, expenses and changes in net position. The Center believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

Note 3 – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2020, \$250,000 of the Center's bank balance of \$381,075 was covered by Federal Depository Insurance and \$91,714 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name. The Center's financial institution was approved for a reduced collateral rate of 50 percent through Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance of \$39,361.

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

requires that deposits either be insured or be protected by:

Eligible securities pledged to the Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Note 4 – Receivables

Receivables at June 30, 2020, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full.

Note 5 – Capital Assets

A summary of capital assets at June 30, 2020 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	<u>\$476,815</u>	<u>\$15,242</u>	<u>\$0</u>	<u>\$492,057</u>
Totals at Historical Costs	<u>476,815</u>	<u>15,242</u>	<u>0</u>	<u>492,057</u>
Less Accumulated Depreciation:				
Furniture and Equipment	<u>418,520</u>	<u>17,253</u>	<u>0</u>	<u>435,773</u>
Total Accumulated Depreciation	<u>418,520</u>	<u>17,253</u>	<u>0</u>	<u>435,773</u>
Capital Assets, Net	<u>\$58,295</u>	<u>(\$2,011)</u>	<u>\$0</u>	<u>\$56,284</u>

Note 6 – Related Party Transactions

For fiscal year ended June 30, 2020, contract services expenses through Mid-Ohio Educational Service Center were as follows:

Sponsorship Fee	\$32,150
Psychological Services	270
Professional Development	<u>73</u>
	<u>\$32,493</u>

The above transactions are related party transactions since these services are purchased through the Sponsor, Mid-Ohio Educational Service Center.

The Treasurer for the Tomorrow Center is also the Treasurer for GOAL Digital Academy. GOAL Digital Academy provides employment services to the Tomorrow Center (see Note 9 for additional information.)

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Note 7 – Risk Management

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. The Center is contracted for the following coverage provided by Schools of Ohio Risk Sharing Authority.

Total Policy coverage - includes the following:

Blanket Building and Personal Property limit (\$1,000 deductible)	\$150,000
Equipment Breakdown (\$1,000 deductible)	\$150,000
Auto Liability & Uninsured/underinsured motorist	\$15,000,000
Medical payments per person/each accident	\$10,000/\$25,000
Educator's Legal Liability (\$5,000 deductible)	\$15,000,000
General Annual Aggregate Liability	\$17,000,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2019.

Note 8 - Contingencies

Litigation

The Center is not involved in any other litigation that, in the opinion of management, would have a material effect on the financial statements.

Foundation Funding

Foundation funding is based on the annualized full-time equivalency (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 fiscal year end.

Under Ohio Revised Code Section 3314.08, ODE may also perform an 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.

As of the date of this report, additional ODE adjustments for fiscal year 2020 have been finalized.

In addition, the Center's contract with its Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2020 have been completed. The impact on the fiscal year 2020 financial statements, related to the additional reconciliation necessary with this contract, is not material to the financial statements.

**Tomorrow Center Community School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2020.

Note 9 – Employment Services Agreement with GOAL Digital Academy

The Center entered into an employment services agreement with GOAL Digital Academy (GDA) starting in fiscal year 2019. Under the agreement, GDA provides employees to fill available positions at the Center. GDA is considered the employer of these employees and will pay all expenses in connection with these employees including retirement, healthcare, workers compensation and unemployment compensation. The Center agrees to pay GDA in advance the estimated costs of the employees. During the month of June each year, the Center shall pay GDA any additional amount owed for the school year in excess of the amount paid or GDA will refund to the Center any excess payments. During fiscal year 2020, the Center paid GDA \$904,669 for employment services.

Note 10 – Operating Lease

On July 3, 2015 the Center moved into a building located at 3700 County Road 168 Cardington, Ohio 43315, which is leased by Cardington-Lincoln Local School District. On June 8, 2020 the Tomorrow Center entered into a four-year lease beginning July 1, 2020 at an annual rate of \$100,000. During fiscal year 2020, the Center made rental payments of \$120,000 per the lease agreement between the Center and Cardington-Lincoln Local School District.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures could impact subsequent periods of the Center. In addition, the impact on the Center's future operating costs and revenues and any recovery from emergency funding, either federal or state, cannot be estimated.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

To the Members of the Board
Tomorrow Center Community School
Cardington, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

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 Tomorrow Center Community School, Morrow County, Ohio, (the Center) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 21, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Center.

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 21, 2021

**TOMORROW CENTER COMMUNITY SCHOOL
MORROW COUNTY OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2020**

The prior audit report, as of June 30, 2019, included no citations, instances of noncompliance, or management letter comments.

OHIO AUDITOR OF STATE KEITH FABER



TOMORROW CENTER COMMUNITY SCHOOL

MORROW COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/10/2022

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