

VALLEY STEM + ME2 ACADEMY

MAHONING COUNTY

Regular Audit

For the Year Ended June 30, 2023





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Columbus, Ohio 43215
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(800) 282-0370

Board of Directors
Valley STEM +ME2 Academy
7230 North Palmyra Road
Canfield, Ohio 44406

We have reviewed the *Independent Auditor's Report* of Valley STEM +ME2 Academy, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2021 through June 30, 2023. 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. Valley STEM +ME2 Academy is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

March 18, 2024

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Valley STEM + ME2 Academy
Mahoning County

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INDEPENDENT AUDITOR'S REPORT

Valley STEM + ME2 Academy
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Valley STEM + ME2 Academy, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Valley STEM + ME2 Academy, Mahoning County, Ohio, as of June 30, 2023, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

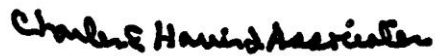
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 January 29, 2024, on our consideration of the Academy's internal control over financial reporting and 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 Academy'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 Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
January 29, 2024

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

The discussion and analysis of the Valley STEM + ME2 Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- Net position increased in fiscal year 2023 primarily due to increases in cash and cash equivalents. The increase in cash can be attributed to the Academy receiving foundation increases from the State funding model and from an increase in enrollment.
- During fiscal year 2023, the Academy's capital asset additions included additions to equipment, specifically a study, robotics and hydraulics trainers and industrial control systems. Additionally, the Academy has a new intangible right to use lease specific to office/school space.
- In fiscal year 2023 the Academy had enrollment of 256 students interested in science, technology, engineering and mathematics fields of study or careers that are heavy in those areas.

Using the 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 Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and ask the question, "How did the Academy perform financially during 2023?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, 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 will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Academy as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position for the current fiscal year compared to the prior fiscal year:

(Table 1)
Net Position

	2023	2022	Change
Assets			
Current and Other Assets	\$1,660,735	\$885,996	\$774,739
Capital Assets	283,885	64,844	219,041
<i>Total Assets</i>	<u>1,944,620</u>	<u>950,840</u>	<u>993,780</u>
Liabilities			
Current Liabilities	263,415	114,879	(148,536)
Long-Term Liabilities (net of current portion):			
Leases	97,549	0	(97,549)
<i>Total Liabilities</i>	<u>360,964</u>	<u>114,879</u>	<u>(246,085)</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	92,593	64,844	27,749
Restricted for:			
Federal Programs	48,792	0	48,792
Other Purposes	16,251	16,258	(7)
Unclaimed Monies	1,669	1,669	0
Unrestricted	1,424,351	753,190	671,161
<i>Total Net Position</i>	<u>\$1,583,656</u>	<u>\$835,961</u>	<u>\$747,695</u>

A portion of the Academy's net position reflects "Net Investment in Capital Assets" (i.e. land, construction in progress, buildings, improvements, furniture, fixtures, equipment and vehicles) less any related debt to acquire those assets that are still outstanding. The Academy uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

The Academy continues to provide the services that the Academy residents expect while maintaining the costs of providing those services. The most dramatic change was an increase to cash resulting from an increase in foundation revenues from the State funding model coupled with an increase in enrollment.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for fiscal years 2023 and 2022.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

(Table 2)
Changes in Net Position

	2023	2022	Change
<i>Operating Revenues</i>			
Foundation Revenues	\$2,079,077	\$2,049,502	\$29,575
Charges for Services	3,215	8,358	(5,143)
Miscellaneous	100	4,595	(4,495)
<i>Total Operating Revenues</i>	<u>2,082,392</u>	<u>2,062,455</u>	<u>19,937</u>
<i>Operating Expenses</i>			
Fringe Benefits	0	2,590	2,590
Purchased Services	1,890,686	1,968,278	77,592
Materials and Supplies	88,507	99,239	10,732
Other	23,176	35,632	12,456
Depreciation	108,775	22,350	(86,425)
<i>Total Operating Expenses</i>	<u>2,111,144</u>	<u>2,128,089</u>	<u>16,945</u>
<i>Operating Income (Loss)</i>	<u>(28,752)</u>	<u>(65,634)</u>	<u>36,882</u>
<i>Non-Operating Revenues (Expenses)</i>			
Grants and Subsidies	720,563	249,764	470,799
Investment Earnings/Interest	58,351	2,615	55,736
Contributions and Donations	14,819	175,279	(160,460)
Interest Expense	(9,915)	0	(9,915)
Loss on the Sale of Capital Assets	(7,371)	0	(7,371)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>776,447</u>	<u>427,658</u>	<u>348,789</u>
Change in Net Position	747,695	362,024	385,671
<i>Net Position Beginning of Year</i>	<u>835,961</u>	<u>473,937</u>	<u>362,024</u>
<i>Net Position End of Year</i>	<u>\$1,583,656</u>	<u>\$835,961</u>	<u>\$747,695</u>

As the preceding table illustrates, the Academy's primary source of revenue is State foundation revenue. State foundation revenue is based on Full Time Equivalent (FTE) students reported by the Academy.

The main component of expenses for the Academy is purchased services, which accounted for the vast majority of all expenses in the fiscal year. Purchased services expense consists primarily of Mahoning County Career and Technical Center (MCCTC) employees who are contracted by the Academy to educate students and facility, equipment and classroom rental charges paid to the MCCTC.

Grants and subsidies revenues are provided by the federal government. The Academy receives federal funding for the following programs: Improving Basic Programs, Supporting Effective Instruction, Student Support and Academic Enrichment, and Special Education. The Academy also received funding specific to the COVID pandemic. Interest revenue saw an increase from the Academy having additional cash to earn interest on.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

Capital Assets

During fiscal year 2023, the Academy's capital asset additions included additions to equipment, specifically a study, robotics and hydraulics trainers and industrial control systems. Additionally, the Academy has a new intangible right to use lease specific to office/school space. For more information about the Academy's capital assets, see Note 10 to the basic financial statements.

Long-term Obligations

During fiscal year 2023, the Academy has a lease outstanding specific to office/school space. For more information about the Academy's long-term obligations, see Note 7 to the basic financial statements.

Current Issues

Valley STEM specifically is focused around student interested in science, technology, engineering and mathematics fields of study or careers that are heavy in those areas. All courses are graded on mastery of skills and competencies. Students either "master" the skill or they work towards mastery. At the end of the year if they master the majority of the skills in the class they receive an A. Course grades are not based off of quarter grades. The instruction they receive will be based on what they need and what they are ready to learn. Students that master courses receive an A for the course. Students that do not master the course continue to work on the material until they do master it.

Valley STEM believes...

- In challenging the traditional learning environment
- Districts can maximize what is provided to students through collaboration
- It takes a global community to educate a child (the ME2 philosophy – "Me too")
- We need to focus on the strengths of the Mahoning Valley and providing critical thinkers to the workforce and college preparedness

Valley STEM...

- Integrates courses that make sense
- Makes connections to the real world
- Engages students in relevant topics related to areas of interest
- Partners with universities, businesses and industries that are cutting edge and in need of skilled students and workers
- Groups students together into cohorts based on interest, learning style, academic preparedness, and personality;
- Allows for students to gain mastery in topics
- Provides post-secondary, career technical and problem-based instructional experiences in where the main focus is not on test preparation but on hands-on
- Learning related to STEM, and Advanced Manufacturing fields of study

The Academy receives approximately over 99 percent of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. Thus, the Academy is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Tyler Lewis at tyler.lewis@mahoningctc.com, Treasurer, Valley STEM + ME2 Academy, 7300 North Palmyra Road, Canfield, Ohio 44406.

Valley STEM + ME2 Academy

Statement of Net Position

June 30, 2023

Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$1,616,102
Intergovernmental Receivable	40,220
Prepaid Items	4,413
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<i>Total Current Assets</i>	1,660,735
 <i>Non-Current Assets:</i>	
Capital Assets, Net	283,885
	<hr/>
<i>Total Assets</i>	<hr/> 1,944,620 <hr/>
 Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	548
Intergovernmental Payable	169,124
Leases	93,743
	<hr/>
<i>Total Current Liabilities</i>	263,415
 <i>Long-Term Liabilities (net of current portion):</i>	
Leases	97,549
	<hr/>
<i>Total Liabilities</i>	<hr/> 360,964 <hr/>
 Net Position	
Invested in Capital Assets, Net of Related Debt	92,593
Restricted for:	
Federal Programs	48,792
Other Purposes	16,251
Unclaimed Monies	1,669
Unrestricted	1,424,351
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<i>Total Net Position</i>	<hr/> \$1,583,656 <hr/>

See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
*Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2023*

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Operating Revenues	
Foundation Revenues	\$2,079,077
Charges for Services	3,215
Miscellaneous	100
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<i>Total Operating Revenues</i>	<i>2,082,392</i>
	<hr/>
Operating Expenses	
Purchased Services	1,890,686
Materials and Supplies	88,507
Other	23,176
Depreciation/Amortization	108,775
	<hr/>
<i>Total Operating Expenses</i>	<i>2,111,144</i>
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<i>Operating Income (Loss)</i>	<i>(28,752)</i>
	<hr/>
Non-Operating Revenues (Expenses)	
Grants and Subsidies	720,563
Investment Earnings/Interest	58,351
Contributions and Donations	14,819
Interest Expense	(9,915)
Loss on the Sale of Capital Assets	(7,371)
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<i>Total Non-Operating Revenues (Expenses)</i>	<i>776,447</i>
	<hr/>
<i>Change in Net Position</i>	<i>747,695</i>
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<i>Net Position Beginning of Year</i>	<i>835,961</i>
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<i>Net Position End of Year</i>	<i>\$1,583,656</i>
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See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities	
Cash Received from State Foundation	\$2,079,077
Cash Received from Charges for Services	3,215
Cash Received from Other	100
Cash Payments for Purchased Services	(1,836,441)
Cash Payments for Materials and Supplies	(87,959)
Cash Payments for Other	(26,103)
	<u>131,889</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	
Cash Flows from Noncapital Financing Activities	
Cash Received from Grants and Subsidies	780,416
Cash Received from Contributions and Donations	14,819
	<u>795,235</u>
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(53,810)
Principal Paid on Leases	(90,085)
Interest Paid on Leases	(9,915)
	<u>(153,810)</u>
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	
Cash Flows from Investing Activities	
Investment Earnings/Interest	58,351
	<u>58,351</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	
	831,665
<i>Cash and Cash Equivalents Beginning of Year</i>	784,437
	<u>784,437</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,616,102</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) by Operating Activities	
Operating Income (Loss)	(\$28,752)
Depreciation/Amortization	108,775
<i>Adjustments:</i>	
<i>(Increase)/Decrease in Assets:</i>	
Prepaid Items	(2,927)
<i>Increase/(Decrease) in Liabilities:</i>	
Accounts Payable	548
Intergovernmental Payable	54,245
	<u>54,245</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$131,889</u></u>

Noncash Transactions:

During fiscal year 2023, the Academy had a lease long-term obligation related to office/student space in the amount of \$281,377.

See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Description of the Academy and Reporting Entity

The Valley STEM + ME2 Academy (the “Academy”) is a legally separate nonprofit corporation operating under the direction of a five-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) Academy under chapter 3326 of the Ohio Revised Code. The Academy began operations on August 22, 2016. The Academy is a small, intellectual public STEM Academy option that maximizes individual potential and ensures students are well-equipped to meet the challenges in the world around them. For its inaugural year, the Academy was open to ninth grade students throughout Mahoning county and will serve students in grades nine through twelve in future years. All students engage in a personally relevant and academically rigorous curriculum and are prepared for college and 21st century careers within a safe and trusting environment, through powerful teaching and problem-based interdisciplinary learning. For fiscal year 2023, services were provided to 256 students.

The Academy’s Governing Board advises and assists the Academy staff on curriculum, Academy evaluation and research, professional development, funding and community relations. Five members serve on the Governing Board.

The Mahoning County Educational Service Center serves as the Academy’s fiscal agent (See Note 5).

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Academy consists of all funds, departments and agencies that are not legally separate from the Academy. For the Academy, this includes instructional activities of the Academy.

Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization’s Governing Board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally entitled to or can otherwise access the organization’s resources; or (3) the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Academy is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading.

Based upon the application of these criteria, the Academy has no component units. The basic financial statements of the reporting entity include only those of the Academy (the primary government).

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (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 more significant of the Academy’s accounting policies are described below.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activity.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, STEM Academies are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code 5705.391 does require the Academy to prepare a five-year projection.

Cash and Cash Equivalents

Cash received by the Academy is reflected as "cash and cash equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2023.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense/expenditure in the year in which services are consumed.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes represents amounts restricted by local donations and contributions for student activities. Net position restricted for federal programs represents amounts restricted by the federal government.

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

Intergovernmental Revenue

The Academy currently participates in the State Foundation Basic Aid, Public School Connectivity, Special Education grant, Improving Basic Programs grant, Supporting Effective Instruction grant and Student Support and Academic Enrichment grant. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and State grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program Basic Aid totaled \$2,079,077 and those associated with Federal and State grants totaled \$720,563 during fiscal year 2023.

The amount of State Foundation grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (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.

Operating Revenues and Expenses

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

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Capital Assets

All capital assets (except for intangible right-to-use lease assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of five thousand dollars. The Academy does not possess 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.

All reported 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 over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 - 6 years
Intangible Right to Use Lease	3 years

The Academy is reporting intangible right to use assets related to lease assets. The lease asset includes a building and represents a nonfinancial asset which is being utilized for a period of time through a lease from another entity. This intangible right to use asset is being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Leases Payable

The Academy serves as lessee in a noncancellable lease which is accounted for as follows:

Lessee At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Note 3 - Deposits and Investments

Monies held by the Academy are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Academy treasury. Active monies must be maintained either as cash in the Academy treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Academy's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

Interim monies held by the Academy can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Academy, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Note 4 – Purchased Services

For fiscal year ended June 30, 2023, purchased services expenses were as follows:

Professional and technical services	\$1,794,790
Travel milage/meeting expense	784
Communications	37,219
Contracted craft or trade	1,397
Tuition	<u>56,496</u>
Total	<u><u>\$1,890,686</u></u>

Note 5 - Service Agreements

Mahoning County Educational Service Center

The Academy entered into a fiscal agent agreement with the Mahoning County Educational Service Center (ESC) for the period September 1, 2022 through June 30, 2023, to provide the following services:

- The ESC will oversee, manage and expend Academy funds for approved purchases as requested and directed by the Academy.
- Perform all accounting and related accounting management procedures for the Academy.

The Academy paid the ESC \$154,638 during fiscal year 2023 for fiscal agent and aide services.

Mahoning County Career and Technical Center

The Academy entered into an administrative agent agreement with the Mahoning County Career and Technical Center (MCCTC) for the period July 1, 2020 through June 30, 2023, to provide the following services:

- The Treasurer of the ESC will act as the Treasurer of the Academy. As of July 1, 2023, the Assistant Treasurer of the MCCTC is acting as the Treasurer of the Academy.
- The MCCTC will direct certain administrative and teaching staff of the MCCTC, as part of their job duties, to serve the Academy.
- The MCCTC administrators and teachers will diligently undertake, perform, and complete any and all job duties, tasks, obligations, and responsibilities required of STEM school administrators and teachers.

The Academy paid the MCCTC \$1,644,574 during fiscal year 2023 for these and other services.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Area Cooperative Computerized Educational Service System (ACCESS)

The Academy entered into an agreement for managed internal broadband services and wireless products for the period July 1, 2022 through June 30, 2023. Services under this agreement include:

- Managed internal broadband services
- Management of ACCESS owned and Academy-owned wireless access points.

The Academy paid ACCESS \$14,926 during fiscal year 2023 for these services.

Note 6 - Contingencies

Grants

The Academy 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2023, if applicable, cannot be determined at this time.

School Foundation

Academy foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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. As of the date of this report, additional ODE adjustments for fiscal year 2023 are finalized with no other additional receivables or liabilities anticipated for the Academy.

Litigation

The Academy is not a party to any legal proceedings.

Note 7 – Long-Term Obligations

Changes in long-term obligations of the Academy during fiscal year 2023 were as follows:

	Principal Outstanding 6/30/22	Additions	Deductions	Principal Outstanding 6/30/23	Amounts Due in One Year
Other Long-term Obligations					
Leases	\$0	\$281,377	(\$90,085)	\$191,292	\$93,743

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

The Academy has an outstanding agreement to lease office space. The future lease payments were discounted based on the interest rate implicit in the lease or using the Academy's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Leases	
	Principal	Interest
2024	\$93,743	\$6,257
2025	97,549	2,451
	\$191,292	\$8,708

Note 8 – Risk Management

The Academy 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 fiscal year ending June 30, 2023, the Academy contracted through the Ohio School Plan for the following coverage amounts:

General Liability:	
Per Occurrence	\$2,000,000
Annual Aggregate	4,000,000
Employer's Liability	2,000,000
Fiduciary Liability:	
Per Occurrence	2,000,000
Annual Aggregate	4,000,000
Educational Legal Liability:	
Per Occurrence	2,000,000
Annual Aggregate	4,000,000
Auto Liability	2,000,000
Cyber Policy	1,000,000
Violence Coverage	1,000,000

Settled claims did not exceed this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

Note 9 – 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 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, the Academy received COVID-19 funding. The Academy will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance 06/30/22	Additions	Deductions	Balance 06/30/23
<i>Capital Assets being Depreciated/Amortized:</i>				
Furniture, Fixtures and Equipment	\$126,673	\$53,810	(\$41,903)	\$138,580
Intangible Right to Use Lease - Building **	0	281,377	0	281,377
<i>Total Capital Assets being Depreciated/Amortized</i>	<u>126,673</u>	<u>335,187</u>	<u>(41,903)</u>	<u>419,957</u>
<i>Less Accumulated Depreciation/Amortization:</i>				
Furniture, Fixtures and Equipment	(61,829)	(18,690)	34,532	(45,987)
Intangible Right to Use Lease - Building **	0	(90,085)	0	(90,085)
<i>Total Accumulated Depreciation/Amortization</i>	<u>(61,829)</u>	<u>(108,775) *</u>	<u>34,532</u>	<u>(136,072)</u>
<i>Capital Assets, Net</i>	<u>\$64,844</u>	<u>\$226,412</u>	<u>(\$7,371)</u>	<u>\$283,885</u>

** Of the current year depreciation/amortization total of \$108,775, \$90,085 is presented as depreciation expense on the Statement of Revenues, Expenses and Changes in Net Position related to the Academy's intangible asset of office space, which is included as an Intangible Right to Use Lease.

Note 11 – Change in Accounting Principle

For fiscal year 2023, the School District implemented Governmental Accounting Standards Board (GASB) No. 91, *Conduit Debt Obligations*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The School District did not have any debt that met the definition of conduit debt.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The Academy did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Academy did not have any long-term contracts that met the GASB 96 definition of a SBITA.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

**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**

Valley STEM + ME2 Academy
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Board of Directors:

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 Valley STEM + ME2 Academy, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated January 29, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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



Charles E. Harris & Associates, Inc.
January 29, 2024

VALLEY STEM + ME2 ACADEMY

MAHONING COUNTY

Regular Audit

For the Year Ended June 30, 2022



Valley STEM + ME2 Academy
Mahoning County

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INDEPENDENT AUDITOR'S REPORT

Valley STEM + ME2 Academy
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Valley STEM + ME2 Academy, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Valley STEM + ME2 Academy, Mahoning County, Ohio, as of June 30, 2022, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 January 29, 2024, on our consideration of the Academy's internal control over financial reporting and 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 Academy'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 Academy's internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.

Charles E. Harris & Associates, Inc.
January 29, 2024

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The discussion and analysis of the Valley STEM + ME2 Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- ❑ Net position increased in fiscal year 2022 primarily due to increases in cash and cash equivalents. The increase in cash can be attributed to the Academy receiving foundation increases from the State funding model.
- ❑ During fiscal year 2022, the Academy's capital asset additions included additions to equipment, specifically equipment for technology instruction that included a 3D printer, a lathe and a mill.
- ❑ In fiscal year 2022 the Academy had enrollment of 221 students interested in science, technology, engineering and mathematics fields of study or careers that are heavy in those areas.

Using the 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 Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and ask the question, "How did the Academy perform financially during 2022?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, 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 will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Academy as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position for the current fiscal year compared to the prior fiscal year:

(Table 1)
Net Position

	2022	2021	Change
Assets			
Current and Other Assets	\$885,996	\$521,006	\$364,990
Capital Assets	64,844	57,329	7,515
<i>Total Assets</i>	<u>950,840</u>	<u>578,335</u>	<u>372,505</u>
Liabilities			
Current Liabilities	114,879	104,398	(10,481)
Net Position			
Investment in Capital Assets	64,844	57,329	7,515
Restricted for:			
State Programs	0	7,424	(7,424)
Other Purposes	16,258	16,969	(711)
Unclaimed Monies	1,669	0	1,669
Unrestricted	753,190	392,215	360,975
<i>Total Net Position</i>	<u>\$835,961</u>	<u>\$473,937</u>	<u>\$362,024</u>

A portion of the Academy's net position reflects "Net Investment in Capital Assets" (i.e. land, construction in progress, buildings, improvements, furniture, fixtures, equipment and vehicles) less any related debt to acquire those assets that are still outstanding. The Academy uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the Academy does not have any outstanding debt obligations.

The Academy continues to provide the services that the Academy residents expect while maintaining the costs of providing those services. The most dramatic change was an increase to cash resulting from an increase in foundation revenues from the State funding model.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for fiscal years 2022 and 2021.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

(Table 2)
Changes in Net Position

	2022	2021	Change
<i>Operating Revenues</i>			
Foundation Revenues	\$2,049,502	\$1,791,244	\$258,258
Charges for Services	8,358	1,100	7,258
Miscellaneous	4,595	0	4,595
<i>Total Operating Revenues</i>	<u>2,062,455</u>	<u>1,792,344</u>	<u>270,111</u>
<i>Operating Expenses</i>			
Fringe Benefits	2,590	1,225	(1,365)
Purchased Services	1,968,278	1,927,551	(40,727)
Materials and Supplies	99,239	113,897	14,658
Other	35,632	13,853	(21,779)
Depreciation	22,350	18,751	(3,599)
<i>Total Operating Expenses</i>	<u>2,128,089</u>	<u>2,075,277</u>	<u>(52,812)</u>
<i>Operating Income (Loss)</i>	<u>(65,634)</u>	<u>(282,933)</u>	<u>217,299</u>
<i>Non-Operating Revenues (Expenses)</i>			
Grants and Subsidies	249,764	212,338	37,426
Interest Revenue	2,615	2,197	418
Contributions and Donations	175,279	178,750	(3,471)
<i>Total Non-Operating Revenues(Expenses)</i>	<u>427,658</u>	<u>393,285</u>	<u>34,373</u>
Change in Net Position	362,024	110,352	251,672
<i>Net Position Beginning of Year</i>	<u>473,937</u>	<u>363,585</u>	<u>110,352</u>
<i>Net Position End of Year</i>	<u><u>\$835,961</u></u>	<u><u>\$473,937</u></u>	<u><u>\$362,024</u></u>

As the preceding table illustrates, the Academy's primary source of revenue is State foundation revenue. State foundation revenue is based on Full Time Equivalent (FTE) students reported by the Academy.

The main component of expenses for the Academy is purchased services, which accounted for the vast majority of all expenses in the fiscal year. Purchased services expense consists primarily of Mahoning County Career and Technical Center (MCCTC) employees who are contracted by the Academy to educate students and facility, equipment and classroom rental charges paid to the MCCTC.

Non-operating revenue consists of an in-kind donation from the MCCTC. The difference between the amount paid by the Academy for the rental of classroom space at the MCCTC facility and the standard market rate for the same space is reported as contribution and donation revenue and a like amount as purchased service expense. Grants and subsidies revenues are provided by the federal government. The Academy receives federal funding for the following programs: Improving Basic Programs, Supporting Effective Instruction, Student Support and Academic Enrichment, and Special Education. The Academy also received funding specific to the COVID pandemic.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Capital Assets

During fiscal year 2022, the Academy's capital asset additions included additions to equipment, specifically equipment for technology instruction with an ending net capital asset amount of \$64,844. For more information about the Academy's capital assets, see Note 9 to the basic financial statements.

Current Issues

Valley STEM specifically is focused around student interested in science, technology, engineering and mathematics fields of study or careers that are heavy in those areas. All courses are graded on mastery of skills and competencies. Students either "master" the skill or they work towards mastery. At the end of the year if they master the majority of the skills in the class they receive an A. Course grades are not based off of quarter grades. The instruction they receive will be based on what they need and what they are ready to learn. Students that master courses receive an A for the course. Students that do not master the course continue to work on the material until they do master it.

Valley STEM believes...

- In challenging the traditional learning environment
- Districts can maximize what is provided to students through collaboration
- It takes a global community to educate a child (the ME2 philosophy – "Me too")
- We need to focus on the strengths of the Mahoning Valley and providing critical thinkers to the workforce and college preparedness

Valley STEM...

- Integrates courses that make sense
- Makes connections to the real world
- Engages students in relevant topics related to areas of interest
- Partners with universities, businesses and industries that are cutting edge and in need of skilled students and workers
- Groups students together into cohorts based on interest, learning style, academic preparedness, and personality;
- Allows for students to gain mastery in topics
- Provides post-secondary, career technical and problem-based instructional experiences in where the main focus is not on test preparation but on hands-on
- Learning related to STEM, and Advanced Manufacturing fields of study

The Academy receives approximately over 99 percent of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. Thus, the Academy is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Ryan Jones at r.jones@mahoningesc.org, Treasurer, Mahoning County Educational Service Center, 7320 North Palmyra Road, Canfield, Ohio 44406.

Valley STEM + ME2 Academy

Statement of Net Position

June 30, 2022

Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$784,437
Intergovernmental Receivable	100,073
Prepaid Items	1,486
	<hr/>
<i>Total Current Assets</i>	885,996
<i>Non-Current Assets:</i>	
Capital Assets, Net	64,844
	<hr/>
<i>Total Assets</i>	<hr/> 950,840 <hr/>
Liabilities	
<i>Current Liabilities:</i>	
Intergovernmental Payable	114,879
	<hr/>
Net Position	
Investment in Capital Assets	64,844
Restricted for:	
Restricted for Other Purposes	16,258
Restricted for Unclaimed Monies	1,669
Unrestricted	753,190
	<hr/>
<i>Total Net Position</i>	<hr/> \$835,961 <hr/>

See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
*Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2022*

<hr/> <hr/>	
Operating Revenues	
Foundation Revenues	\$2,049,502
Charges for Services	8,358
Miscellaneous	4,595
	<hr/>
<i>Total Operating Revenues</i>	<i>2,062,455</i>
	<hr/>
Operating Expenses	
Fringe Benefits	2,590
Purchased Services	1,968,278
Materials and Supplies	99,239
Other	35,632
Depreciation	22,350
	<hr/>
<i>Total Operating Expenses</i>	<i>2,128,089</i>
	<hr/>
<i>Operating Income (Loss)</i>	<i>(65,634)</i>
	<hr/>
Non-Operating Revenues (Expenses)	
Grants and Subsidies	249,764
Interest Revenue	2,615
Contributions and Donations	175,279
	<hr/>
<i>Total Non-Operating Revenues (Expenses)</i>	<i>427,658</i>
	<hr/>
<i>Change in Net Position</i>	<i>362,024</i>
	<hr/>
<i>Net Position Beginning of Year</i>	<i>473,937</i>
	<hr/>
<i>Net Position End of Year</i>	<i>\$835,961</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State Foundation	\$2,049,502
Cash Received from Charges for Services	8,358
Cash Received from Other	4,595
Cash Payments for Employee Benefits	(2,590)
Cash Payments for Purchased Services	(1,782,695)
Cash Payments for Materials and Supplies	(99,342)
Cash Payments for Other	(35,680)

<i>Net Cash Provided by (Used for) Operating Activities</i>	142,148
---	---------

Cash Flows from Noncapital Financing Activities

Cash Received from Grants and Subsidies	238,318
Cash Received from Contributions and Donations	280

<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	238,598
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Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	(29,865)
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Cash Flows from Investing Activities

Interest	2,615
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<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	353,496
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<i>Cash and Cash Equivalents Beginning of Year</i>	430,941
--	---------

<i>Cash and Cash Equivalents End of Year</i>	\$784,437
--	-----------

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) by Operating Activities

Operating Income (Loss)	(\$65,634)
Depreciation	22,350
In-Kind Contributions	174,999

Adjustments:

(Increase)/Decrease in Assets:	
Prepaid Items	(48)

Increase/(Decrease) in Liabilities:	
Intergovernmental Payable	10,481

<i>Net Cash Provided by (Used for) Operating Activities</i>	\$142,148
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Noncash Transactions:

During fiscal year 2022, the Academy received in-kind contributions related to rent in the amount of \$174,999.

See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 1 - Description of the Academy and Reporting Entity

The Valley STEM + ME2 Academy (the “Academy”) is a legally separate nonprofit corporation operating under the direction of a five-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) Academy under chapter 3326 of the Ohio Revised Code. The Academy began operations on August 22, 2016. The Academy is a small, intellectual public STEM Academy option that maximizes individual potential and ensures students are well-equipped to meet the challenges in the world around them. For its inaugural year, the Academy was open to ninth grade students throughout Mahoning county and will serve students in grades nine through twelve in future years. All students engage in a personally relevant and academically rigorous curriculum and are prepared for college and 21st century careers within a safe and trusting environment, through powerful teaching and problem-based interdisciplinary learning. For fiscal year 2022, services were provided to 221 students.

The Academy’s Governing Board advises and assists the Academy staff on curriculum, Academy evaluation and research, professional development, funding and community relations. Five members serve on the Governing Board.

The Mahoning County Educational Service Center serves as the Academy’s fiscal agent (See Note 5).

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Academy consists of all funds, departments and agencies that are not legally separate from the Academy. For the Academy, this includes instructional activities of the Academy.

Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization’s Governing Board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally entitled to or can otherwise access the organization’s resources; or (3) the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Academy is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading.

Based upon the application of these criteria, the Academy has no component units. The basic financial statements of the reporting entity include only those of the Academy (the primary government).

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (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 more significant of the Academy’s accounting policies are described below.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, STEM Academies are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code 5705.391 does require the Academy to prepare a five-year projection.

Cash and Cash Equivalents

Cash received by the Academy is reflected as "cash and cash equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2022.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense/expenditure in the year in which services are consumed.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes represents amounts restricted by local donations and contributions for student activities. Net position restricted for state and federal programs represents amounts restricted by the state and federal government, respectively.

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

Intergovernmental Revenue

The Academy currently participates in the State Foundation Basic Aid, Public School Connectivity, Special Education grant, Improving Basic Programs grant, Supporting Effective Instruction grant and Student Support and Academic Enrichment grant. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and State grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program Basic Aid totaled \$2,049,502 and those associated with Federal and State grants totaled \$249,764 during fiscal year 2022.

The amount of State Foundation grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the financial statements. The Academy had no long-term obligations at June 30, 2022.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (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.

Operating Revenues and Expenses

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

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of five thousand dollars. The Academy does not possess 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.

All reported 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 over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 years

Note 3 - Deposits and Investments

Monies held by the Academy are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Academy treasury. Active monies must be maintained either as cash in the Academy treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Academy's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

Interim monies held by the Academy can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Academy, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 4 – Purchased Services

For fiscal year ended June 30, 2022, purchased services expenses were as follows:

Professional and technical services	\$1,541,605
Property services	328,646
Travel milage/meeting expense	2,924
Communications	48,976
Contracted craft or trade	2,501
Tuition	43,626
Total	<u><u>\$1,968,278</u></u>

Note 5 - Service Agreements

Mahoning County Educational Service Center

The Academy entered into a fiscal agent agreement with the Mahoning County Educational Service Center (ESC) for the period September 1, 2021 through June 30, 2022, to provide the following services:

- The Treasurer of the ESC will act as the Treasurer of the Academy.
- The ESC will oversee, manage and expend Academy funds for approved purchases as requested and directed by the Academy.
- Perform all accounting and related accounting management procedures for the Academy.

The Academy paid the ESC \$304,146 during fiscal year 2022 for fiscal agent and aide services.

Mahoning County Career and Technical Center

The Academy entered into an administrative agent agreement with the Mahoning County Career and Technical Center (MCCTC) for the period July 1, 2020 through June 30, 2023, to provide the following services:

- The MCCTC will direct certain administrative and teaching staff of the MCCTC, as part of their job duties, to serve the Academy.
- The MCCTC administrators and teachers will diligently undertake, perform, and complete any and all job duties, tasks, obligations, and responsibilities required of STEM school administrators and teachers.

The Academy paid the MCCTC \$1,357,525 during fiscal year 2022 for these and other services.

Area Cooperative Computerized Educational Service System (ACCESS)

The Academy entered into an agreement for managed internal broadband services and wireless products for the period July 1, 2021 through June 30, 2022. Services under this agreement include:

- Managed internal broadband services
- Management of ACCESS owned and Academy-owned wireless access points.

The Academy paid ACCESS \$13,935 during fiscal year 2022 for these services.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 6 - Contingencies

Grants

The Academy 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2022, if applicable, cannot be determined at this time.

School Foundation

In fiscal year 2022, the Academy foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. 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. As of the date of this report, additional ODE adjustments for fiscal year 2022 are finalized with no other additional receivables or liabilities anticipated for the Academy.

Litigation

The Academy is not a party to any legal proceedings.

Note 7 – In-Kind Contribution

On March 1, 2016, the Mahoning County Educational Service Center (the “Lessee”) entered into a classroom space lease agreement (the “Master Lease Agreement”) with the Mahoning County Career and Technical Service Center (the “Lessor”) to provide adult computer labs and space for use by the Academy. The terms of the Master Lease Agreement commenced March 1, 2016 and terminate June 30, 2021. The terms of the Master Lease Agreement were extended one additional fiscal year to end on June 30, 2022, while a new agreement was negotiated. The Lessee shall pay the Lessor one dollar per year in rent in accordance with the Master Lease Agreement. The Mahoning County ESC (the “Sublessor”) then entered into a sublease agreement with the Academy (the “Sublessee”) to grant the Sublessee the privileges enjoyed by the Lessee in accordance with the Master Lease Agreement. The Sublessee agrees to be subject to all the term and conditions contained in the Master Lease Agreement. The Sublessee share pay the Sublessor an annual rent payment of one dollar in accordance with the sublease agreement. The Academy has reported an in-kind contribution in the amount of \$174,999 equal to the difference between the actual rent payments made and the standard market rate rent of the leased space.

Note 8 – Risk Management

The Academy 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 fiscal year ending June 30, 2022, the Academy contracted through the Ohio School Plan for the following coverage amounts:

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

General Liability:	
Per Occurrence	\$2,000,000
Annual Aggregate	4,000,000
Employer's Liability	2,000,000
Fiduciary Liability:	
Per Occurrence	2,000,000
Annual Aggregate	4,000,000
Educational Legal Liability:	
Per Occurrence	2,000,000
Annual Aggregate	4,000,000
Auto Liability	2,000,000
Cyber Policy	1,000,000
Violence Coverage	1,000,000

Settled claims did not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance 06/30/21	Additions	Deductions	Balance 06/30/22
<i>Capital Assets being Depreciated:</i>				
Furniture, Fixtures and Equipment	\$96,808	\$29,865	\$0	\$126,673
<i>Less Accumulated Depreciation:</i>				
Furniture, Fixtures and Equipment	(39,479)	(22,350)	0	(61,829)
<i>Capital Assets, Net</i>	<u>\$57,329</u>	<u>\$7,515</u>	<u>\$0</u>	<u>\$64,844</u>

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 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 2022, the Academy received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the Academy. The impact on the Academy's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

Note 11 – Change in Accounting Principle

For fiscal year 2022, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Academy's 2022 financial statements; however, there was no effect on beginning net position.

The Academy is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92 - *Omnibus 2020* and GASB Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These changes were incorporated in the Academy's 2022 financial statements; however, there was no effect on beginning net position.

Note 12 – Subsequent Event

During fiscal year 2023, the Academy entered into a new Master Facility Lease Agreement with the Mahoning County Career and Technical Center for the use of classroom space. The term of this lease is three years commencing on July 1, 2022 and terminating on June 30, 2025. The Academy shall pay \$100,000 per year in four quarterly payment installments beginning on August 1st of each year.

**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**

Valley STEM + ME2 Academy
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Board of Directors:

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 Valley STEM + ME2 Academy, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated January 29, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Valley STEM + ME2 Academy

Mahoning County

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*

Page 2

Compliance and Other Matters

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



Charles E. Harris & Associates, Inc.

January 29, 2024

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OHIO AUDITOR OF STATE KEITH FABER



VALLEY STEM+ME2 ACADEMY

MAHONING 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 3/28/2024

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