

***BIO-MED SCIENCE ACADEMY STEM SCHOOL***

***PORTAGE COUNTY, OHIO***

**Audit Report**

**For the Year Ended June 30, 2016**







# Dave Yost • Auditor of State

Board of Directors  
Bio-Med Academy STEM School  
4209 SR 44  
Rootstown, Ohio 44272

We have reviewed the *Independent Auditor's Report* of the Bio-Med Academy STEM School, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 31, 2017

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**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

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**INDEPENDENT AUDITOR'S REPORT**

Bio-Med Science Academy STEM School  
Portage County  
4209 State Route 44  
Rootstown, Ohio 44272

To the Board of Directors:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Bio-Med Science Academy STEM School, Portage County, Ohio (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bio-Med Science Academy STEM School, Portage County as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016, on our consideration of the School'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Charles E. Harris & Associates, Inc.**

November 8, 2016

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

As management of Bio-Med Science Academy STEM School (the School), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

**Financial Highlights**

In August 2012, Bio-Med Science Academy, Inc., a community school, opened its doors to 70 freshmen students in a year round high school that followed a STEM (Science, Technology, Engineering and Math) curriculum. In April 2013, the school received a formal STEM designation from the State of Ohio. This new designation required the community school to close and open a new STEM school. The community school closed as of June 30, 2013 and Bio-Med Science Academy STEM School opened July 1, 2013. Students from the previous community school were transferred to the STEM school as sophomores and a new freshman class was added. As of August 2015, the School had students in all four high school grades and in June 2016 graduated its first senior class.

The School is housed and operated by Northeast Ohio Medical University (NEOMED) in Rootstown, Ohio. The School does not have any employees, but instead leases all teachers and administrators from NEOMED. All bills are initially paid by NEOMED and total expenses are billed to the School monthly for reimbursement. The School is charged a \$1 management fee and pays rent equal to the facility income received, but utility expenses are not charged to the School.

The School has receivables totaling \$49,028 for student fees, federal school lunch program, state casino revenue, state foundation, and other miscellaneous accounts receivable earned in 2016, but not received until after June 30, 2016. As of year-end, the financial statements show a NEOMED advances payable for \$207,119 reflecting the expenses not yet reimbursed by the School. NEOMED understands that the School's funds will be limited during the start-up phase and is not expecting full reimbursement of the School's monthly expenses until maximum student enrollment in each of the four years of the program is achieved.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Fund Net Position* and the *Statement of Cash Flows* provide information about the School, including all financial resources and obligations.

**Reporting the School Financial Activities**

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

The *Statement of Net Position* presents information on all the School's assets and liabilities, with the difference being the net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how the School's net position changes during the year. This statement summarizes operating revenues and expenses, along with non-operating revenues and expenses.

The *Statement of Cash Flows* allows financial statement users to assess the School's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories (as applicable): 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

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

Finally, it should be noted that the School utilizes the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies in that it recognizes revenues and expenses when earned regardless of when cash is received or paid.

**Financial Analysis**

The following tables indicate the School's financial analysis:

**Table 1 – Statement of Net Position**

	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>Assets</b>		
Cash	\$ 20,416	\$ 167,546
Federal school lunch program receivable	3,552	1,560
State casino receivable	7,880	5,742
Other miscellaneous accounts receivable	37,596	15,652
Prepaid expenses	54,980	3,746
Other	100	-
Capital assets, net	<u>289,456</u>	<u>267,256</u>
Total assets	<u>413,980</u>	<u>461,502</u>
<b>Liabilities</b>		
NEOMED advances payable	207,119	768,377
Accrued liabilities	19,889	1,242
Unearned revenue	<u>17,804</u>	<u>2,045</u>
Total liabilities	<u>244,812</u>	<u>771,664</u>
<b>Net Position</b>		
Investment in capital assets	289,456	267,256
Restricted	62,697	284,506
Unrestricted	<u>(182,985)</u>	<u>(861,924)</u>
Total net position	<u>\$169,168</u>	<u>(\$310,162)</u>

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**2016 versus 2015**      During the year ended June 30, 2016:

Assets decreased in 2016 as it paid off the large advances payable to NEOMED. Prepaid expenses and capital assets increased with funding through grant revenues.

Unearned revenues are FY2017 student fees that were paid to the School early in FY2016.

Net Position increased by \$479,330 in FY2016. This is due to growing grant revenue and adding an additional class to the School. The School now has freshman, sophomore, junior and senior classes. The negative net position of the unrestricted fund is due to the start-up costs of the program and less than full enrollment during the fiscal year. NEOMED has agreed to pay all expenses and receive reimbursement from the School as funds become available during this start-up period. Once full enrollment is reached, the School expects to be able to meet its current liabilities.

**Table 2 – Statement of Revenues, Expenses and Changes in Fund Net Position**

	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>Revenue</b>		
State foundation payments	\$1,969,309	\$ 1,818,937
State casino & facility payments	61,459	45,121
Student fees and reimbursements	105,589	66,599
Grant revenue	231,858	342,882
Other revenue	<u>370,704</u>	<u>5,713</u>
 Total revenue	 <u>2,738,919</u>	 <u>2,279,252</u>
<b>Expenses</b>		
Purchased services	1,878,120	1,714,519
Materials & supplies	137,599	182,478
Student activities	39,974	32,760
Other	134,324	16,594
Depreciation	<u>69,572</u>	<u>33,853</u>
Total expenses	<u>\$2,259,589</u>	<u>\$1,980,204</u>

**2016 versus 2015**

The June 30, 2016 State Foundation payments increased due to adding an additional class. Other revenue includes a write-off of a liability due to NEOMED from fiscal year 2014.

A majority of the School's overall expenses, 75.1% were for reimbursement for the salaries and benefits of the School's staff.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Capital Assets**

In FY15, the School moved to its permanent home in the NEW Center, the NEOMED's new health and wellness center which was finished August 2014. Most furniture and equipment being used was loaned to the School from NEOMED. Additional equipment has been purchased mainly through funding from grants.

<b><u>Capital Assets (net of depreciation)</u></b>	<u>2016</u>	<u>2015</u>
Equipment	\$286,759	\$267,256
Tenant Improvement	<u>2,697</u>	<u>-</u>
Total	<u>\$289,456</u>	<u>\$267,256</u>

More information about the School's capital assets is presented in Note 5 to the financial statements.

**Debt Administration**

The School did not have any long-term debt.

NEOMED paid all payroll and expenses for the School and billed the School monthly for reimbursement. The \$207,119 and \$768,377 in NEOMED – Advances Payable are the amounts due to NEOMED at June 30, 2016 and 2015 respectively, for salary, benefits and other expenses.

**Current Financial Related Activities**

The STEM School was created in April 2013 and opened for business July 1, 2013.

The School is funded through the State Foundation program, as it has no tax base to draw upon and cannot charge tuition, levy taxes, or issue bonds secured by tax revenues. However, a school fee is charged to students for consumable classroom supplies.

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact: Dale Hluch, Fiscal Agent, Bio-Med Science Academy STEM School, 4211 State Route 44, Rootstown, Ohio, 44272.

**Bio-Med Science Academy STEM School**  
**Statement of Net Position**  
**June 30, 2016**

	2016
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and equivalents, pooled (Note 3)	\$ 20,416
State foundation receivable (Note 4)	18,009
Federal school lunch program receivable (Note 4)	3,552
State casino receivable (Note 4)	7,880
Student fee receivable (Note 4)	12,937
Other misc accounts receivable (Note 4)	6,650
Prepaid expenses	54,980
Other assets	100
Total current assets	124,524
<b>NONCURRENT ASSETS</b>	
Capital assets, net (Note 5)	289,456
Total noncurrent assets	289,456
Total assets	413,980
<b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
NEOMED-Advances Payable	207,119
Accrued Liabilities	19,889
Unearned Revenue	17,804
Total current liabilities	244,812
<b>NET POSITION</b>	
Investment in Capital Assets	289,456
Restricted:	
Grants	62,697
Unrestricted	(182,985)
Total net position	169,168
Total liabilities and net position	\$ 413,980

The accompanying notes to the financial statements are an integral part of this statement

**Bio-Med Science Academy STEM School**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**

	2016
<b>OPERATING REVENUES</b>	
State Foundation Payments	\$ 1,969,309
State Casino & Facility Payments	61,459
Student Fees and Reimbursements	105,589
Miscellaneous Income	11,631
Total Operating Revenue	2,147,988
<b>OPERATING EXPENSES</b>	
Purchased Services	1,878,120
Materials and Supplies	137,599
Field trips and other student activities	39,974
Other	36,913
Depreciation	69,572
Total Operating Expenditures	2,162,178
Operating income (Loss)	(14,190)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State & Federal Grant Revenue	146,226
State & Federal Grant (Expenses)	(97,411)
Donated Start Up Costs	358,458
Investment Income	615
Net Non-Operating Revenues/(Expenses)	407,888
<b>GAIN (LOSS) BEFORE CAPITAL GRANT REVENUE</b>	393,698
<b>CAPITAL GRANT REVENUE</b>	85,632
Increase/(decrease) in net position	479,330
Net position at the beginning of the year	(310,162)
Net position at the end of the year	\$ 169,168

The accompanying notes to the financial statements are an integral part of this statement

**Bio-Med Science Academy STEM School**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2016**

	2016
<b>Cash Flows from Operating Activities</b>	
Cash received from the State of Ohio	\$2,004,880
Cash received from the misc student fees/reimbursements	105,368
Other operating receipts	38,443
Cash payments to management company	(2,240,894)
Cash payments for other operations	(25)
<i>Net Cash Provided by (Used in) Operating Activities</i>	(92,228)
<b>Cash Flows from Noncapital Financing Activities</b>	
Cash received from grants and awards	58,565
Cash payments for grants & contracts	(107,944)
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	(49,379)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Payments for capital assets	(6,138)
<i>Net Cash Provided for Capital and Related Financing Activities</i>	(6,138)
<b>Cash Flows from Investing Activities</b>	
Investment income	615
<i>Net Cash Provided from investing Activities</i>	615
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(147,130)
<i>Cash and Cash Equivalents Beginning of Year</i>	167,546
<i>Cash and Cash Equivalents End of Year</i>	\$20,416

**Bio-Med Science Academy STEM School**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2016**

	2016
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating Gain (Loss)	(\$14,190)
Adjustments:	
Depreciation	69,572
Donated start up costs	358,458
(Increase) Decrease in Assets:	
Accounts Receivable	(18,580)
Prepaid Expenses	2,292
Other Assets	(100)
Increase (Decrease) in Liabilities:	
Accounts Payable	(518,131)
Accrued Liabilities	12,692
Unearned Revenue	15,759
<i>Net Cash Provided by (Used in) Operating Activities</i>	<i>(\$92,228)</i>
Noncash Transactions:	
Donated Start Up Cost	\$ 358,458

Additional expenses and capital purchases of \$85,632 were made by third parties on the School's behalf and are recognized in the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position.

The accompanying notes to the financial statements are an integral part of this statement.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Bio-Med Science Academy STEM School (the School), Portage County, is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School is a year round school that provides a STEM (science, technology, engineering and math) curriculum. The School, which is a part of the State’s education program, is independent of any public school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

As further described in Note 7 to the financial statements, the School has contracted with Northeast Ohio Medical University (NEOMED) to employ and facilitate the day-to-day management of the School. NEOMED is a legally separate state university, the results of which are not reflected in the financial statements.

The governing boards of NEOMED and the School have completely different members, and three members of the School’s Board are appointed by NEOMED. In addition, up to four board members are nominated and elected from academic, community and business partners.

The School operates under a self-appointed Board of Directors (the Board). The School’s Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor director by a majority vote of the then-existing directors.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Bio-Med Science Academy STEM School 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 following are the more significant of the School’s accounting policies.

**A. Basis of Presentation**

The School’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund 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.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the School’s 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 Revenues, Expenses and Changes in Fund Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The Statement of Cash Flows reflects how the School finances and meets

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus and Basis of Accounting (continued)**

cash flow needs. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, STEM schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code Section 5705.391 does not require the School to prepare a five-year projection but the STEM school did prepare one in fiscal year 2016.

**D. Cash and Investments**

To improve cash management, cash received by the School is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as “Cash and Cash Equivalents, pooled” on the financial statements.

During fiscal year 2016, cash was limited to Huntington Bank and STAR Ohio. The School’s investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

As authorized by Ohio statutes, the Board of Directors has specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2016 amounted to \$615.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Accounts Receivable**

Accounts receivable consists of amounts due for the federal lunch program, state casino funding, student fees and other miscellaneous grant receivables. Uncollectible amounts have been reserved and account receivable balances are shown net of the allowance for doubtful accounts.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**G. Capital Assets and Depreciation**

Capital assets include land, buildings and improvements, and furniture and equipment with original cost of \$2,500 or more. Such assets are recorded at the date of acquisition, or if acquired by gift, at an estimated fair value at the date of donation.

Depreciation of School capital assets is calculated on a straight-line basis with a half year convention over the estimated useful life of the property as follows:

<u>Assets</u>	<u>Estimated Useful Life</u>
Buildings & Improvements	20-40 Years
Leasehold Improvement	Life of Lease
Infrastructure	20 Years
Equipment	5 Years
Furniture	10 Years

**H. Operating Revenues and Expenses**

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

**I. Intergovernmental Revenues**

The School participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the period in which all eligibility requirements have been met.

**J. Current Liabilities**

Accrued liabilities include amounts payable to NEOMED for reimbursements due for expenses paid on behalf of the School in accordance with the School's management contract as further described in Note 7.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School did not have any deferred outflows of resources at fiscal year-end. In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School had no deferred inflows of resources as of fiscal year end.

**L. Use of Estimates**

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**M. Net Position**

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either by constitutional provisions or enabling legislation, or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School had restricted amounts on net position of \$62,697 as of June 30, 2016.

**NOTE 3 – CASH, EQUIVALENTS AND INVESTMENTS**

At June 30, 2016, the carrying amount of the School's deposits was \$20,416. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016, \$0 of the bank balance was exposed to custodial risk as discussed below, while \$20,416 was covered by the Federal Deposit Insurance Corporation (FDIC). The School had no investments at June 30, 2016 or during the fiscal year.

Custodial risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral of all uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(continued)**

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2016 consisted of federal school lunch program, state casino revenue, school fees, state foundation, and grant revenue. An allowance for doubtful accounts has been accrued for school fees for students with outstanding balances that meet the free and reduced lunch requirements.

The following is a summary of accounts receivable at June 30, 2016:

	June 30, 2016
State Foundation	\$ 18,009
Federal School Lunch Program	3,552
State Casino Receivable	7,880
Student Fee Receivable	12,937
Miscellaneous Accounts Receivable	6,650
Total Accounts Receivable	\$ 49,028

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
Capital assets being depreciated:				
Tenant improvement	\$ -	\$ 2,766	\$ -	\$ 2,766
Equipment	304,661	89,006	-	393,667
Total capital assets being depreciated	304,661	91,772	-	396,433
Less accumulated depreciation:				
Tenant improvement	-	69		69
Equipment	37,405	69,503	-	106,908
Total accumulated depreciation	37,405	69,572	-	106,977
Total capital assets, net of depreciation	\$ 267,256	\$ 22,200	\$ -	\$ 289,456

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(continued)**

**NOTE 6 – BIO-MED PERSONNEL**

The School does not employ any personnel, but instead purchases services from NEOMED for teachers, administrators and office staff. All employee salary and benefits are paid by NEOMED and billed to the School on a monthly basis. As NEOMED employees, NEOMED is responsible for remitting all employer taxes and pension expenses and has accrued the GASB 68 pension liability for these personnel on its financial statements.

**NOTE 7 – AGREEMENT WITH NORTHEAST OHIO MEDICAL UNIVERSITY**

The School has contracted with Northeast Ohio Medical University (NEOMED) to facilitate the day-to-day operations of the School. Per the agreement, NEOMED pays all costs associated with operating the School and bills the School monthly for expenses paid. Such costs include, but are not limited to: personnel (all teaching and administrative personnel are employees of NEOMED); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, supplies and legal services. NEOMED is also responsible for the maintenance of the School's facility and utilities. See Note 11 for the actual amount of actual direct and indirect expenses incurred by NEOMED on behalf of the School.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

As of June 30, 2016, the School has reimbursement for expenses payable to NEOMED of \$2,184,149. These payables are to cover expenses incurred by NEOMED on the School's behalf. The School had only limited capital assets when it was opened and the furniture and equipment was made available by NEOMED. All fiscal services were performed by the NEOMED accounting department and were billed to the School at an expense of \$1 via the management fee.

**NOTE 9 – RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School has contracted with a commercial insurance company for property and general liability insurance. Property coverage carries a \$1,000 deductible, with the School's contents insured for \$250,000. General liability coverage provides \$1,000,000 per occurrence and \$3,000,000 in the aggregate with a \$2,500 deductible.

There were no claims reported in the past fiscal year, nor decreases in coverages.

**NOTE 10 – TAX EXEMPT STATUS**

The School has a tax exempt, non-profit organization under the Internal Revenue Code Section 501(c)(3).

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(continued)**

**NOTE 11 – MANAGEMENT COMPANY EXPENSES**

As per the agreement with NEOMED (see Note 7), NEOMED pays the School’s expenses and billed the School monthly for reimbursement. The related “purchased services” expense totaled \$2,184,149 for the year ended June 30, 2016.

NEOMED incurred the following actual direct and indirect expenses on behalf of the School during fiscal year 2016:

	<u>2016</u>
Salaries	\$1,285,316
Benefits	236,266
Retirement	176,111
Consulting	47,765
Legal	34,540
Insurance	3,960
Advertising	1,322
Materials & supplies	180,560
Phone, postage, rent & maintenance	73,857
Lunch program	25,000
Travel & training	26,005
Miscellaneous	93,447
Total purchased services	<u><u>\$2,184,149</u></u>

The School agreed to pay NEOMED \$1 for management services as agreed to in the Management Services Agreement.

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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

Bio-Med Science Academy STEM School  
Portage County  
4209 State Route 44  
Rootstown, Ohio 44272

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Bio-Med Science Academy STEM School, Portage County, (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2016.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated November 8, 2016.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***  
November 8, 2016

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY  
JUNE 30, 2016**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2015, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

**BIO-MED SCIENCE ACADEMY STEM SCHOOL**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 14, 2017**