

BIO-MED SCIENCE ACADEMY STEM SCHOOL

PORTAGE COUNTY, OHIO

Audit Report

For the Year Ended June 30, 2017





Dave Yost • Auditor of State

Board of Directors
Bio-Med Science Academy STEM School
4209 State Route 44
Rootstown, Ohio 44272-9698

We have reviewed the *Independent Auditor's Report* of the Bio-Med Science Academy STEM School, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Science 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

February 22, 2018

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

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT AUDITOR'S REPORT

Bio-Med Science School 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 School STEM School, Portage County, Ohio (the School), as of and for the year ended June 30, 2017, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bio-Med Science Academy STEM School, Portage County, Ohio, as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 5, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Financial Highlights

Bio-Med Science Academy STEM School opened July 1, 2013 with the students from the previous Bio-Med Science Academy community school. The students 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.

In December 2016, the School signed a ten-year lease with the Village of Shalersville for the use of the former Shalersville Elementary School building. The building will be used to house the new Bio-Med Science Academy STEM School's Lower Academy. The new school will open for sixth through eighth grades in the Fall of 2017.

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 pays rent of \$100,000 which includes all maintenance, utility and common area expenses. In addition, the School has contracted with the Educational Service Center of Central Ohio to act as the fiscal agent for the School.

The School has receivables totaling \$21,182 for student fees, federal school lunch program and state casino revenue earned in 2017, but not received until after June 30, 2017. As of year-end, the financial statements show a NEOMED advances payable for \$270,441 reflecting the expenses not yet reimbursed by the School.

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.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)**

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>6/30/2017</u>	<u>6/30/2016</u>
Assets		
Cash	\$ 402,670	\$ 20,416
Federal school lunch program receivable	1,410	3,552
State casino receivable	6,573	7,880
Other miscellaneous accounts receivable	13,199	37,596
Prepaid expenses	40,599	54,980
Other	-	100
Capital assets, net	<u>348,022</u>	<u>289,456</u>
Total assets	<u>812,473</u>	<u>413,980</u>
Liabilities		
NEOMED advances payable	270,441	207,119
Accrued liabilities	44,976	19,889
Unearned revenue	<u>19,022</u>	<u>17,804</u>
Total liabilities	<u>334,439</u>	<u>244,812</u>
Net Position		
Investment in capital assets	348,022	289,456
Restricted	-	62,697
Unrestricted	<u>130,012</u>	<u>(182,985)</u>
Total net position	<u>\$ 478,034</u>	<u>\$ 169,168</u>

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)**

2017 versus 2016 During the year ended June 30, 2017:

In 2017, the School started receiving Career Tech (CTE) funding which amounted to \$315,622. This additional funding led to the increase in cash and net position. Renovations to the newly leased building caused the increase in capital assets, accounts payable and accrued liabilities.

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

	<u>6/30/2017</u>	<u>6/30/2016</u>
Revenue		
State foundation payments	\$ 2,451,027	\$ 1,969,309
State casino & facility payments	82,898	61,459
Student fees and reimbursements	102,933	105,589
Grant revenue	166,283	231,858
Other revenue	<u>5,781</u>	<u>370,704</u>
 Total revenue	 <u>2,808,922</u>	 <u>2,738,919</u>
 Expenses		
Purchased services	2,027,636	1,878,120
Materials & supplies	144,749	137,599
Student activities	52,697	39,974
Other	190,359	134,324
Depreciation	<u>84,615</u>	<u>69,572</u>
 Total expenses	 <u>\$ 2,500,056</u>	 <u>\$ 2,259,589</u>

2017 versus 2016

The June 30, 2017 State Foundation payments increased due to CTE funding.

A majority of the School’s overall expenses, 75.8% were for reimbursement for the salaries and benefits of the School’s staff.

Capital Assets

The School is housed in the NEW Center, NEOMED’s new health and wellness center which was finished August 2014. Most furniture and equipment being used at the high school was loaned to the School from NEOMED. Additional equipment had been purchased mainly through funding from grants. In fiscal year 2017, the School made purchases for furniture, equipment and renovations for the new Lower Academy.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)**

<u>Capital Assets (net of depreciation)</u>	<u>2017</u>	<u>2016</u>
Furniture	\$ 23,707	\$ -
Equipment	251,785	286,759
Tenant Improvements	2,559	2,697
Work in Progress	<u>69,971</u>	<u> </u>
Total	<u>\$ 348,022</u>	<u>\$ 289,456</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 \$270,441 and \$207,119 in NEOMED – Advances Payable are the amounts due to NEOMED at June 30, 2017 and 2016 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: Tammy Rizzo, 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, 2017

	2017
ASSETS	
CURRENT ASSETS	
Cash and equivalents, pooled (Note 3)	\$ 402,670
Federal school lunch program receivable (Note 4)	1,410
State casino receivable (Note 4)	6,573
Student fee receivable (Note 4)	13,199
Prepaid expenses	40,599
Total current assets	464,451
NONCURRENT ASSETS	
Nondepreciable capital assets (Note 5)	69,971
Depreciable capital assets, net (Note 5)	278,051
Total noncurrent assets	348,022
Total assets	812,473
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
NEOMED-Advances Payable	270,441
Accrued Liabilities	44,976
Unearned Revenue	19,022
Total current liabilities	334,439
NET POSITION	
Investment in Capital Assets	348,022
Unrestricted	130,012
Total net position	478,034
Total liabilities and net position	\$ 812,473

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, 2017

	2017
OPERATING REVENUES	
State Foundation Payments	\$ 2,451,027
State Casino & Facility Payments	82,898
Student Fees and Reimbursements	102,933
Miscellaneous Income	5,729
Total Operating Revenue	2,642,587
OPERATING EXPENSES	
Purchased Services	2,027,636
Materials and Supplies	144,749
Field trips and other student activities	52,697
Other	21,901
Depreciation	84,615
Total Operating Expenditures	2,331,598
Operating income (Loss)	310,989
NONOPERATING REVENUES (EXPENSES)	
State & Federal Grant Revenue	166,283
State & Federal Grant (Expenses)	(168,458)
Investment Income	52
Net Non-Operating Revenues/(Expenses)	(2,123)
Increase/(decrease) in net position	308,866
Net position at the beginning of the year	169,168
Net position at the end of the year	\$ 478,034

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, 2017

	2017
Cash Flows from Operating Activities	
Cash received from the State of Ohio	\$2,542,718
Cash received from the misc student fees/reimbursements	97,284
Other operating receipts	15,590
Cash payments to management company	(2,125,619)
<i>Net Cash Provided by (Used in) Operating Activities</i>	529,973
Cash Flows from Noncapital Financing Activities	
Cash received from grants and awards	177,682
Cash payments for grants & contracts	(182,272)
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	(4,590)
Cash Flows from Capital and Related Financing Activities	
Payments for capital assets	(143,181)
<i>Net Cash Provided for Capital and Related Financing Activities</i>	(143,181)
Cash Flows from Investing Activities	
Investment income	52
<i>Net Cash Provided from investing Activities</i>	52
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	382,254
<i>Cash and Cash Equivalents Beginning of Year</i>	20,416
<i>Cash and Cash Equivalents End of Year</i>	\$402,670

Bio-Med Science Academy STEM School
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	2017
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Gain (Loss)	\$310,989
Adjustments:	
Depreciation	84,615
(Increase) Decrease in Assets:	
Accounts Receivable	19,054
Prepaid Expenses	14,381
Other Assets	100
Increase (Decrease) in Liabilities:	
Accounts Payable	78,487
Accrued Liabilities	23,737
Unearned Revenue	(1,390)
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$529,973

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, 2017**

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 cash flow needs.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

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 require the School to prepare a five-year projection.

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 2017, cash was limited to Huntington Bank and STAR Plus. The School’s investment in the STAR Plus is an option to deposit funds into one account, which in turn will be distributed to multiple banks in amounts that will never exceed the Federal Deposit Insurance Corporation (FDIC) maximum amount, currently \$250,000. The program provides an opportunity for a competitive yield as compared to other investment options with similar maturities.

For the fiscal year 2017, participants had daily deposit capability and the ability to withdraw funds twice per week. The STAR Plus program is available exclusively to STAR Ohio participants who can make an initial minimum deposit of \$250,000 from their STAR Ohio Account. The current maximum deposit into the program is \$50 million.

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 2017 amounted to \$52.

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, 2017
(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 and student fees. 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, 2017 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 acquisition 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

NEOMED – advances payable 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, 2017
(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. Unearned Revenue

Unearned revenue arises when revenues are received before revenue recognition criteria have been satisfied.

M. 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.

N. 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 no restricted amounts on net position as of June 30, 2017.

NOTE 3 – CASH, EQUIVALENTS AND INVESTMENTS

At June 30, 2017, the carrying amount of the School's deposits was \$402,670. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, bank balances are covered by the Federal Deposit Insurance Corporation or collateralized in accordance with Ohio Revised Code. The School had no investments at June 30, 2017 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, 2017
(continued)**

NOTE 4 – RECEIVABLES

Receivables at June 30, 2017 consisted of federal school lunch program, state casino revenue and school fees. 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, 2017:

	June 30, 2017
Federal School Lunch Program	1,410
State Casino Receivable	6,573
Student Fee Receivable	13,199
Total Accounts Receivable	\$ 21,182

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
Capital assets not being depreciated				
Work in progress	\$ -	\$ 69,971	\$ -	\$ 69,971
Total capital assets not being depreciated	-	69,971	-	69,971
Capital assets being depreciated:				
Tenant improvements	2,766	-	-	2,766
Furniture	-	24,955	-	24,955
Equipment	393,667	48,255	-	441,922
Total capital assets being depreciated	396,433	73,210	-	469,643
Less accumulated depreciation:				
Tenant improvements	69	138	-	207
Furniture	-	1,248	-	1,248
Equipment	106,908	83,229	-	190,137
Total accumulated depreciation	106,977	84,615	-	191,592
Total capital assets, net of depreciation	289,456	(11,405)	-	278,051
Total capital assets	\$ 289,456	\$ 58,566	\$ -	\$ 348,022

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 amount of actual direct expenses incurred by NEOMED on behalf of the School.

NOTE 8 – RELATED PARTY TRANSACTIONS

As of June 30, 2017, the School has reimbursement for expenses payable to NEOMED of \$270,441. 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. Fiscal services were performed by the NEOMED accounting department in conjunction with the Educational Service Center of Central Ohio (ESCCO). All payments were made by the NEOMED Accounting department and as of February 2017, State fiscal reporting was completed by ESCCO.

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, 2017
(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 \$2,409,683 for the year ended June 30, 2017.

NEOMED incurred the following actual direct and indirect expenses on behalf of the School during fiscal year 2017, less bad debt expense and bank charges:

	<u>2017</u>
Salaries	\$1,438,558
Benefits	252,524
Retirement	203,233
Consulting	102,927
Legal	27,165
Insurance	3,548
Advertising	6,351
Materials & supplies	157,428
Phone, postage, rent & maintenance	117,290
Lunch program	25,755
Travel & training	23,014
Miscellaneous	51,890
Total purchased services	<u>\$2,409,683</u>

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

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*

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

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Bio-Med Science Academy STEM School, Portage County, Ohio (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 5, 2017.

Internal Control Over Financial Reporting

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

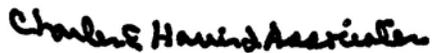
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 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 & Associates, Inc.
December 5, 2017

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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
MARCH 6, 2018**