

**SCHNEE LEARNING CENTER**  
**(A Component Unit of Cuyahoga Falls City School District)**  
**SUMMIT COUNTY, OHIO**

*(AUDITED)*

**BASIC**  
**FINANCIAL STATEMENTS**  
*FOR THE FISCAL YEAR ENDED*  
*JUNE 30, 2013*

**TRACY JARVIS, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Schnee Learning Center, Summit County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 30, 2013

**This page intentionally left blank.**

**SCHNEE LEARNING CENTER  
SUMMIT COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**TABLE OF CONTENTS**

Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 6
Basic Financial Statements:	
Statement of Net Position .....	7
Statement of Revenues, Expenses and Changes in Net Position .....	8
Statement of Cash Flows .....	9
Notes to the Basic Financial Statements.....	10 - 16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	17 - 18
Schedule of Prior Audit Findings .....	19



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

Schnee Learning Center  
Summit County  
2222 Issaquah Street  
Cuyahoga Falls, Ohio 44221

To the Board of Directors:

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Schnee Learning Center, Summit County, Ohio, a component unit of Cuyahoga Falls City School District, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Schnee Learning Center'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 Schnee Learning Center'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 Schnee Learning Center'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 Schnee Learning Center, Summit County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The accompanying basic financial statements have been prepared assuming that the Schnee Learning Center will continue as a going concern. As described in Note 11 to the basic financial statements, the Schnee Learning Center has been suffering declining net position due to expenditures exceeding revenues and current liabilities exceeding current assets, which raises substantial doubt about the Schnee Learning Center's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require 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 27, 2013, on our consideration of the Schnee Learning Center'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 Schnee Learning Center's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 27, 2013

**SCHNEE LEARNING CENTER**  
**(A Component Unit of Cuyahoga Falls City School District)**  
**SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2013

The management's discussion and analysis of the Schnee Learning Center (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ending June 30, 2013. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2013 are as follows:

- In total, the Center had a deficit net position of \$253,108 at June 30, 2013.
- The Center had operating revenues of \$914,496 and operating expenses of \$1,265,169 for fiscal year 2013. The Center also received \$59,536 in state and federal grants during fiscal year 2013.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Center, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about how the Center finances and meets the cash flow needs of its operations.

**Reporting the Center 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 we do financially during 2013?" 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 takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-16 of this report.



**SCHNEE LEARNING CENTER**  
**(A Component Unit of Cuyahoga Falls City School District)**  
**SUMMIT COUNTY, OHIO**

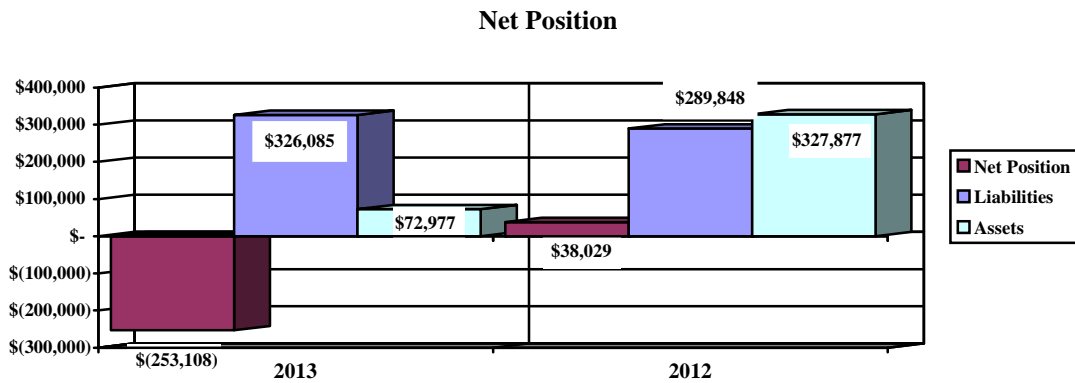
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2013

The table below provides a summary of the Center's net position for June 30, 2013 and June 30, 2012.

**Net Position**

	2013	2012
<b><u>Assets</u></b>		
Current assets	\$ 23,207	\$ 217,739
Capital assets, net	49,770	110,138
Total assets	<u>72,977</u>	<u>327,877</u>
<b><u>Liabilities</u></b>		
Current liabilities	326,085	289,848
Total liabilities	<u>326,085</u>	<u>289,848</u>
<b><u>Net Position</u></b>		
Investment in capital assets	49,770	110,138
Restricted	18,268	27,021
Unrestricted (deficit)	(321,146)	(99,130)
Total net position	<u>\$ (253,108)</u>	<u>\$ 38,029</u>

The chart below illustrates the Center's assets, liabilities and net position at June 30, 2013 and June 30, 2012.



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the Center's liabilities exceeded assets by \$253,108.

At year-end, capital assets represented 68.20% of total assets. Capital assets consisted of equipment and software. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**SCHNEE LEARNING CENTER**  
**(A Component Unit of Cuyahoga Falls City School District)**  
**SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2013

The table below shows the changes in net position for the fiscal year ended June 30, 2013 and June 30, 2012.

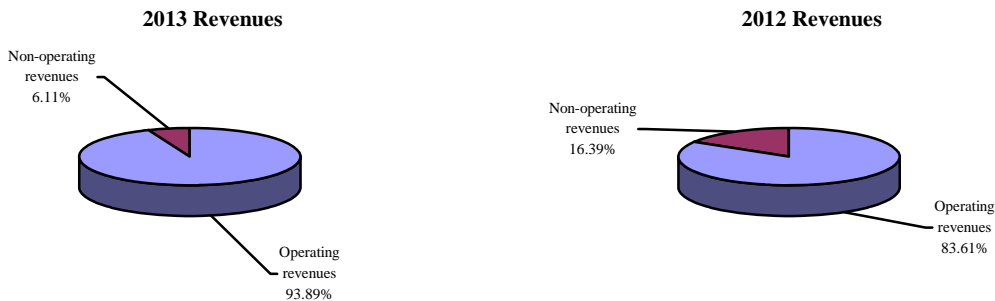
**Changes in Net Position**

	2013	2012
<b><u>Operating Revenues:</u></b>		
Foundation revenue	\$ 903,273	\$ 975,870
Fees	10,143	9,849
Other operating revenues	1,080	-
Total operating revenues	914,496	985,719
<b><u>Operating Expenses:</u></b>		
Purchased services	1,175,337	1,143,812
Materials and supplies	20,518	37,900
Other operating expenses	8,946	7,313
Depreciation	60,368	61,730
Total operating expenses	1,265,169	1,250,755
<b><u>Non-operating revenues:</u></b>		
Federal and state grants	59,536	183,298
Other non-operating revenue	-	9,980
Total non-operating revenues	59,536	193,278
Change in net position	(291,137)	(71,758)
Net position at beginning of year	38,029	109,787
Net position at end of year	\$ (253,108)	\$ 38,029

Operating revenues of the Center decreased \$71,223 or 7.23% due to a decrease in special education weighted amount foundation revenue. This change is also caused by a small decrease in enrollment. Non-operating revenues decreased \$133,742 or 69.20%. This decrease can mainly be attributed to a decrease in education jobs and drug free school grant revenue.

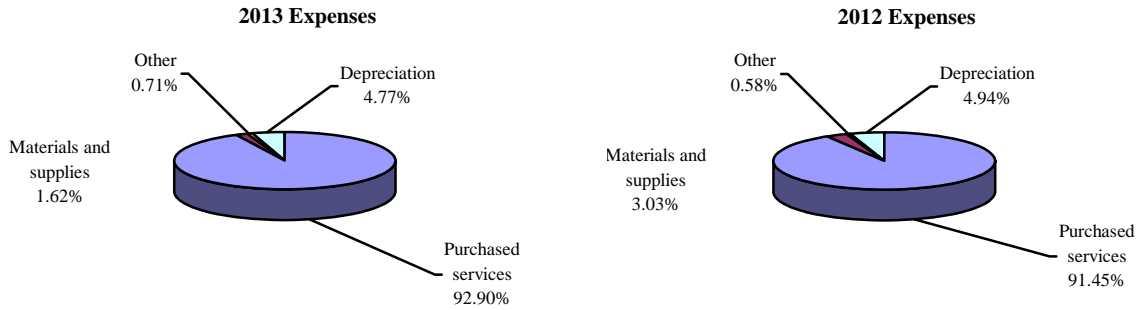
Operating expenses increased \$14,414 or 1.15%. Operating expenses remained comparable to fiscal year 2012.

The charts below illustrate the revenues and expenses for the Center for the fiscal year ended June 30, 2013 and June 30, 2012.



**SCHNEE LEARNING CENTER**  
**(A Component Unit of Cuyahoga Falls City School District)**  
**SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2013



**Capital Assets**

At June 30, 2013, the Center had \$49,770 invested in equipment and software. See Note 4 in the notes to the basic financial statements for more detail on capital assets.

**Economic Conditions and Outlook**

The Center is sponsored by the Cuyahoga Falls City School District. The Center relies primarily on the State Foundation funds. In order to continually provide opportunities to the Center's students, the Center will apply resources to best meet the needs of its students. It is the intent of the Center to apply for State and Federal funds that are made available to finance operations.

**Contacting the Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Tracy Jarvis, Treasurer, Schnee Learning Center, 2222 Issaquah Street, Cuyahoga Falls, Ohio 44221-0396.

**SCHNEE LEARNING CENTER**  
**(A Component Unit of Cuyahoga Falls City School District)**  
**SUMMIT COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2013

<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 17,649
Receivables:	
Intergovernmental . . . . .	3,433
Prepayments . . . . .	<u>2,125</u>
Total current assets . . . . .	<u>23,207</u>
Non-current assets:	
Depreciable capital assets, net . . . . .	<u>49,770</u>
Total non-current assets . . . . .	<u>49,770</u>
Total assets . . . . .	<u>72,977</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable . . . . .	3,887
Intergovernmental payable . . . . .	265,227
Due to related parties . . . . .	<u>56,971</u>
Total liabilities . . . . .	<u>326,085</u>
<b>Net position:</b>	
Investment in capital assets . . . . .	49,770
Restricted for:	
Restricted for public school support . . . . .	3,326
Restricted for federal programs . . . . .	5,664
Restricted for other purposes. . . . .	9,278
Unrestricted (deficit) . . . . .	<u>(321,146)</u>
Total net position . . . . .	<u>\$ (253,108)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SCHNEE LEARNING CENTER**  
**(A Component Unit of Cuyahoga Falls City School District)**  
**SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 903,273
Tuition and fees. . . . .	10,143
Other . . . . .	1,080
Total operating revenues . . . . .	<u>914,496</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	1,175,337
Materials and supplies . . . . .	20,518
Other. . . . .	8,946
Depreciation . . . . .	60,368
Total operating expenses. . . . .	<u>1,265,169</u>
Operating loss . . . . .	<u>(350,673)</u>
<b>Non-operating revenues:</b>	
Grants and subsidies. . . . .	59,536
Total nonoperating revenues. . . . .	<u>59,536</u>
Change in net position . . . . .	(291,137)
<b>Net position at beginning of year. . . . .</b>	<u>38,029</u>
<b>Net position at end of year . . . . .</b>	<u>\$ (253,108)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SCHNEE LEARNING CENTER**  
**(A Component Unit of Cuyahoga Falls City School District)**  
**SUMMIT COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 890,791
Cash received from tuition and fees . . . . .	10,143
Cash received from other operations . . . . .	1,080
Cash payments for contractual services . . . . .	(1,124,186)
Cash payments for materials and supplies . . . . .	(20,400)
Cash payments for other expenses . . . . .	(8,415)
	(250,987)
<b>Net cash used in operating activities . . . . .</b>	
	<b>(250,987)</b>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies. . . . .	61,809
	61,809
<b>Net cash provided by noncapital financing activities. . . . .</b>	
	<b>61,809</b>
Net decrease in cash and cash cash equivalents . . . . .	(189,178)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>206,827</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 17,649</b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (350,673)
Adjustments:	
Depreciation . . . . .	60,368
Changes in assets and liabilities:	
Decrease in prepayments . . . . .	3,081
Increase in accounts payable . . . . .	3,887
Increase in intergovernmental payable . . . . .	23,825
Increase in due to related parties . . . . .	8,525
	8,525
Net cash used in operating activities . . . . .	<b>\$ (250,987)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE  
INTENTIONALLY LEFT BLANK

**SCHNEE LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 1 - DESCRIPTION OF THE CENTER**

The Schnee Learning Center (the "Center") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a conversion school in Cuyahoga Falls City School District (the "Sponsor") addressing the needs of students in grades 9-12. The Center, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Center, as part of the Sponsor District, is an approved tax-exempt organization. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The Center may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Center. The Center is considered a component unit of the Cuyahoga Falls City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61 due to the significant services provided by the District to the Center, the Center's purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of the Center.

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

The Center was certified by the State of Ohio Secretary of State as a non-profit organization on July 22, 2005. The Center was approved for operation under a contract with the Sponsor for five years commencing July 1, 2005. On June 28, 2010, the Center renewed the contract with the Sponsor for an additional five years, which will expire June 30, 2015. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Center began accepting students on August 3, 2005, and served 143 students during fiscal year 2013.

The Center operates under the direction of a six-member Board of Directors which consists of the Cuyahoga Falls City School District superintendent who is a non-voting member and serves as President, an Ivy Park Association Representative, three elected officials, and a parent of a Center student. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Treasurer is the Chief Financial Officer of the Center. Treasurer and fiscal services are provided by Jarvis and Associates.

The Sponsor, on a purchased services basis with the Center, provides planning, instructional, administrative and technical services. Personnel providing services to the Center on behalf of the Sponsor on the purchased services basis are employees of the Summit County ESC. Payments from the Center to the Sponsor under the Community School Sponsorship Contract and the annual Purchased Services Contract for the period July 1, 2012 through June 30, 2013 can be found in Note 6.



**SCHNEE LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

**A. Basis of Presentation**

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) 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/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources are included on the statement of net position. Statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. 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, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Center's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts. The contract between the Center and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**D. Cash**

Cash received by the Center is maintained in a demand deposit account.

**E. Capital Assets and Depreciation**

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

**SCHNEE LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment consists of computers and equipment which are depreciated over three to ten years. Software is depreciated over 36 to 44 months.

**F. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for special trust fund, rotary fund, student activities fund and the uniform school supplies fund.

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

**G. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**H. Intergovernmental Revenue**

The Center currently participates in the State Foundation Program, the Special Education Part B-IDEA grant and the Title I grant. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the Center on a reimbursement basis.

**SCHNEE LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Operating Revenues and Expenses**

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

**J. Estimates**

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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At June 30, 2013, the carrying amount of the Center's deposits was \$17,649. Based upon the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of June 30, 2013, all of the Center's bank balance of \$20,680 was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**NOTE 4 - CAPITAL ASSETS**

	<u>Balance</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2013</u>
<i>Capital assets being depreciated:</i>				
Equipment	\$ 6,125	\$ -	\$ -	\$ 6,125
Software	<u>188,278</u>	<u>-</u>	<u>-</u>	<u>188,278</u>
Total capital assets being depreciated	<u>194,403</u>	<u>-</u>	<u>-</u>	<u>194,403</u>
<i>Less: accumulated depreciation</i>				
Equipment	(5,445)	(680)	-	(6,125)
Software	<u>(78,820)</u>	<u>(59,688)</u>	<u>-</u>	<u>(138,508)</u>
Total accumulated depreciation	<u>(84,265)</u>	<u>(60,368)</u>	<u>-</u>	<u>(144,633)</u>
Net capital assets	<u>\$ 110,138</u>	<u>\$ (60,368)</u>	<u>\$ -</u>	<u>\$ 49,770</u>

**NOTE 5 - RECEIVABLES**

The Center had the following intergovernmental receivables at June 30, 2013:

Title I	\$ <u>3,433</u>
---------	-----------------

The intergovernmental receivables are expected to be collected in the subsequent year.

**SCHNEE LEARNING CENTER  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 6 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2013, purchased services expenses were as follows:

Professional and technical services	\$ 1,106,396
Property services	175
Travel and meetings	1,365
Miscellaneous	<u>67,401</u>
Total	<u>\$ 1,175,337</u>

**NOTE 7 - RISK MANAGEMENT**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. The Center had a commercial insurance package with Indiana Insurance.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior year.

**NOTE 8 - CONTINGENCIES**

**A. Grants**

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

**B. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Center anticipates no adjustment to State funding for fiscal year 2014 as a result of the reviews which have yet to be completed.

**SCHNEE LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - RELATED PARTY TRANSACTIONS**

For the fiscal year ended June 30, 2013, the Center had expenses of \$265,423 to their sponsor for reimbursement of expenses. There was an amount of \$56,971 due to their sponsor at June 30, 2013. This amount is displayed as “due to related parties” on the basic financial statements.

**NOTE 10 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2013, the Center has implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”, GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements”, GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”, and GASB Statement No. 66, “Technical Corrections-2012”.

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Center.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Center.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Center.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Center’s financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

**SCHNEE LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 10 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Center.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Center.

**NOTE 11 - GOING CONCERN**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which contemplates continuation of the Center as a going concern.

The Center had an operating loss of (\$350,673), a decrease in net position of (\$291,137) and current liabilities exceeding current assets by \$302,878 during fiscal year 2013. Management intends to eliminate these deficits by increasing enrollment, reevaluating staffing levels and applying for grant funds.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards***

Schnee Learning Center  
Summit County  
2222 Issaquah Street  
Cuyahoga Falls, Ohio 44221

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 the Schnee Learning Center, Summit County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Schnee Learning Center's basic financial statements and have issued our report thereon dated November 27, 2013, wherein we noted that the accompanying financial statements have been prepared assuming that the Schnee Learning Center will continue as a going concern.

#### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Schnee Learning Center'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 Schnee Learning Center'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 Schnee Learning Center'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.

Board of Directors  
Schnee Learning Center

***Compliance and Other Matters***

As part of reasonably assuring whether the Schnee Learning Center'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*.

***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 Schnee Learning Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Schnee Learning Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 27, 2013



**SCHNEE LEARNING CENTER  
SUMMIT COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b><u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u></b>
2012-SLC-001	<u>Material Weakness – Audit Adjustment</u> – The Learning Center did not properly record Intergovernmental Payables at year end. An adjustment was made to increase intergovernmental payable and increase purchased services in the amount of \$228,920 to properly record a liability for fiscal year 2012 salaries and benefits that were not paid until fiscal year 2013.	Yes	N/A

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**SCHNEE LEARNING CENTER**

**SUMMIT 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  
JANUARY 9, 2014**