

SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2023



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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 Rea & Associates, Inc., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

December 18, 2023

This page intentionally left blank.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Basic Financial Statements	12
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 <i>Government Auditing Standards</i>	19

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Schnee Learning Center, Summit County, Ohio, (the "Center"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Center, as of June 30, 2023, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Substantial Doubt About the Center's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 10 to the financial statements, the Center has suffered recurring losses from operations, has a net position deficit, and has stated that substantial doubt exists about the Center's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 10. The 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 November 13, 2023 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Rea & Associates, Inc.
Medina, Ohio
November 13, 2023

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (UNAUDITED)

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 ended June 30, 2023. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Center's financial performance.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the Center for the 2022-2023 year are as follows:

- Total Assets increased \$74,370.
- Total Liabilities decreased \$4,371.
- Total Net Position increased \$78,741.
- Total Operating and Non-Operating Revenues were \$1,147,486. Total Operating and Non-Operating Expenses were \$1,068,745.

USING THIS ANNUAL REPORT

This report consists of three parts: the required supplemental information, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the Center did financially during fiscal year 2023. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the Center's Net Position and changes in that position. This change in Net Position is important because it tells the reader whether 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. Non-financial factors include the Center's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The Center uses enterprise presentation for all of its activities.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (UNAUDITED)

USING THIS ANNUAL REPORT (Continued)

Statement of Net Position - The Statement of Net Position answers the question of how the Center did financially during 2023. This statement includes all assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Center's Net Position for fiscal year 2023 and 2022.

Table 1
Statement of Net Position

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets	\$ 304,169	\$ 162,306
Capital Assets, Net	<u>79,158</u>	<u>146,651</u>
Total Assets	<u>383,327</u>	<u>308,957</u>
Liabilities		
Current Liabilities	274,912	203,971
Non-Current Liabilities	<u>460,695</u>	<u>536,007</u>
Total Liabilities	<u>735,607</u>	<u>739,978</u>
Net Position		
Net Investment in Capital Assets	3,846	1,798
Unrestricted	<u>(356,126)</u>	<u>(432,819)</u>
Total Net Position	<u>\$ (352,280)</u>	<u>\$ (431,021)</u>

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2023, the Center's net position was a deficit of (\$352,280). Current assets increased due increases in cash from operations. Capital assets decreased due depreciation expense exceeding current year additions. Current liabilities increased due increases in accounts payable offset by decreases due local ESC for services provided. Long term liabilities decreased due principal payments made on lease obligations.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (UNAUDITED)

USING THIS ANNUAL REPORT (Continued)

Statement of Revenues, Expenses and Changes in Net Position - Table 2 shows the changes in Net Position for fiscal year 2023 and 2022, as well as a listing of revenues and expenses.

Table 2
Change in Net Position

	2023	2022
Operating Revenues		
State Aid	\$ 802,964	\$ 699,600
Miscellaneous	7,752	2,351
Total Operating Revenues	<u>810,716</u>	<u>701,951</u>
Operating Expenses		
Purchased Services	909,863	862,101
Supplies	70,257	42,147
Depreciation	76,241	75,648
Operating Expenses	3,309	15,561
Total Operating Expenses	<u>1,059,670</u>	<u>995,457</u>
Operating Income (Loss)	(248,954)	(293,506)
Non-Operating Revenues		
Federal and State Grants	329,256	497,009
Other Grants	3,788	2,500
Lease Interest Expense	(9,075)	(13,010)
Interest Income	3,726	-
Total Revenues/ (Expenses)	<u>327,695</u>	<u>486,499</u>
Change in Net Position	78,741	192,993
Net Position, Beginning of Year	<u>(431,021)</u>	<u>(624,014)</u>
Net Position, End of Year	<u>\$ (352,280)</u>	<u>\$ (431,021)</u>

During the year, operating revenues increased from the prior year due to increases in enrollment and changes to the state funding formulas. Non-operating revenues decreased due to reduced allocations of reimbursable grants related to COVID-19 recognized during the fiscal year. Total operating expenses increased due to increased enrollment and additional services needed to support the growing enrollment.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (UNAUDITED)

CAPITAL ASSETS

At fiscal year-end, the Center's net capital asset balance was \$79,158. For more information on capital assets, see Note 4 of the Basic Financial Statements.

LEASE OBLIGATIONS

At June 30, 2023, the Center had \$75,312 in lease obligations outstanding, which is a decrease of \$69,541 from the prior year balance. See Note 9 of the Basic Financial Statements for further information.

CURRENT FINANCIAL ISSUES

The Center is a community School and is funded through the State of Ohio Foundation Program. The Center relies on this, as well as, State and Federal funds as its primary source of revenue. In 2022, the State replaced the existing funding formula with a new formula that was implemented in January 2022 as a result of changes in Ohio law under the passage of HB110. Under the new formula, community schools are funded directly with no deductions or transfers from the student's district of residence. The funding calculation for community schools uses several concepts and formulas, some of which also apply to traditional school districts. These primarily include Base Cost, Special Education, Disadvantaged Pupil Impact Aid, English Learners and Career Technical Education. Combined, these elements make up the Core Foundation Funding and the change in calculated amounts compared to the funding received in Fiscal Year 2020 are being phased-in at 16.67% in Fiscal Year 2022. The phase-in amount will increase to 33.33% in Fiscal Year 2023. Another key provision of HB 110 provided a guarantee that no school would receive less per pupil in Fiscal Year 2023 than it did in Fiscal Year 2022 as a result of implementing this formula change. Additionally, facility related funding was increased from \$250 per pupil to \$500 per pupil in Fiscal Year 2023 and is expected to remain at this level in Fiscal Year 2024.

In June 2023, the State Legislature passed the 24-25 biennial budget which included significant increases to community school funding, as well as, continuing the graduated phase-in approach initiated in last budget cycle. The phase-in percentage for 2024 and 2025 will be 50% and 66.67% respectively. In addition, schools will see an additional \$500 per student in facility funding, a \$650 per student equity grant for both 2024 and 2025, and a 12.1% increase in the per student Base Cost, increasing from \$7,352 to \$8,241.

The full-time equivalent enrollment of the Center for the year ended June 30, 2023 was 92 compared to a figure of 80 at the end of fiscal year 2022. Overall, the Center will continue to provide learning opportunities and apply resources to best meet the needs of the students served.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Center's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact the Center's Fiscal Officer, C. David Massa, CPA, of Massa Financial Solutions, LLC, 2222 Issaquah Street, Cuyahoga Falls, Ohio 44221-0396.

SCHNEE LEARNING CENTER, SUMMIT COUNTY, OHIO
Statement of Net Position
June 30, 2023

Assets:

Current Assets:

Cash and Cash Equivalents	\$	270,684
Intergovernmental Receivable		33,485
Total Current Assets		<u>304,169</u>

Noncurrent Assets:

Capital Assets, net of Accumulated Depreciation		79,158
Total Non-Current Assets		<u>79,158</u>

Total Assets 383,327

Liabilities:

Current Liabilities:

Accounts Payable, Trade		178,967
Accrued Expenses		20,633
Current Portion of Long Term Obligations		75,312
Total Current Liabilities		<u>274,912</u>

Noncurrent Liabilities:

Due To Cuyahoga Falls BOD		460,695
Total Noncurrent Liabilities		<u>460,695</u>

Total Liabilities 735,607

Net Position:

Net Investment in Capital Assets		3,846
Unrestricted Net Position		<u>(356,126)</u>
Total Net Position		<u>\$ (352,280)</u>

See Accompanying Notes to the Basic Financial Statements

SCHNEE LEARNING CENTER, SUMMIT COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2023

Operating Revenues:	
State Aid	\$ 802,964
Miscellaneous	<u>7,752</u>
Total Operating Revenues	<u>810,716</u>
Operating Expenses:	
Purchased Services	909,863
Depreciation	76,241
Supplies	70,257
Other Operating Expenses	<u>3,309</u>
Total Operating Expenses	<u>1,059,670</u>
Operating Income (Loss)	(248,954)
Non-Operating Revenues and (Expenses):	
Federal and State Restricted Grants	329,256
Interest Income	3,788
Lease Interest Expense	(9,075)
Other Grants	<u>3,726</u>
Net Non-operating Revenues and (Expenses)	<u>327,695</u>
Change in Net Position	78,741
Net Position - Beginning of Year	<u>(431,021)</u>
Net Position - End of Year	<u>\$ (352,280)</u>

See Accompanying Notes to the Basic Financial Statements

SCHNEE LEARNING CENTER, SUMMIT COUNTY, OHIO
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
State Aid Receipts	\$ 802,964
Miscellaneous	7,752
Cash Payments to Suppliers for Goods and Services	<u>(917,797)</u>
Net Cash Provided By (Used For) Operating Activities	<u>(107,081)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other Grants	3,726
Federal and State Grant Receipts	<u>315,163</u>
Net Cash Provided By Noncapital Financing Activities	<u>318,889</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Lease Interest Payments	(9,075)
Lease Principal Payments	(69,541)
Purchase of Capital Assets	<u>(8,748)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(87,364)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income Receipts	<u>3,788</u>
Net Cash (Used For) Provided By Investing Activities	<u>3,788</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	128,232
Cash and Cash Equivalents - Beginning of the Year	<u>142,452</u>
Cash and Cash Equivalents - Ending of the Year	<u>\$ 270,684</u>

See Accompanying Notes to the Basic Financial Statements

SCHNEE LEARNING CENTER, SUMMIT COUNTY, OHIO
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023
(Continued)

Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (248,954)
 Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Depreciation	76,241
 Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
(Increase)/Decrease in Prepaid Expenses	462
Increase/(Decrease) in Accounts Payable	154,552
Increase/(Decrease) in Due to Summit County ESC	(96,912)
Increase/(Decrease) in Accrued Expenses	7,530
Net Cash Provided By (Used For) Operating Activities	<u>\$ (107,081)</u>

See Accompanying Notes to the Basic Financial Statements

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - DESCRIPTION OF THE ENTITY

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 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 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'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 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 Cuyahoga Falls Board of Directors for five years commencing July 1, 2005, which the Cuyahoga Falls City School District served as Sponsor. On July 1st, 2015, the Center renewed the contract for another five-year period, however the contract was assigned to the Ohio Department of Education's Office of School Sponsorship (the Sponsor) on May 1, 2018, due to the Ohio Department of Education revoking the Cuyahoga Falls School District's sponsorship. 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 served 92 students during fiscal year 2023.

The Center operates under the direction of a five-member Board of Directors. 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 Massa Financial Solutions, LLC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The more significant of the Center's accounting policies are described below.

Basis of Presentation - The Center's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes in Net Position, financial position and cash flows.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus and Basis of Accounting - The accounting and financial reporting treatment is determined by measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. Under 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. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., 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. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process - Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Center and its Sponsor. The contract between the Center and its Sponsor does not require the Center to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

Cash and Cash Equivalents - All cash received by the Center is maintained in a demand deposit account and a money market account. All investments of the Center are considered to be cash and cash equivalents for financial reporting purposes. During fiscal year 2023, investments included a money market account.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

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.

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 three years. Leased buildings are depreciated over 40 years or lesser of life of lease.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying Statement of Net Position.

The Center is reporting an intangible right to use assets related to leased buildings, structures, and improvements. These intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Intergovernmental Revenues - The Center currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis.

The Center also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the Center recorded \$802,964 this fiscal year from the Foundation Program and \$329,256 from Federal grants and other intergovernmental sources.

Net Position - Net position represents the difference between assets and liabilities. 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 Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditures 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, 2023**

Deferred Inflows and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the Center that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the Center that is applicable to a future reporting period. Other revenues received in advance of the fiscal year for which they were intended to finance, are recorded as deferred inflows. The Center has no deferred inflows and has no deferred outflows of resources at June 30, 2023.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activities of the Center. For the Center, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating.

Implementation of New Accounting Principles - For the fiscal year ended June 30, 2023, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, GASB Statement No. 96, Subscription-Based Information Technology Arrangements and certain provisions of GASB Statement No. 99, Omnibus2022. The implementation of GASB Statements Nos. 94, 96, and 99 did not have an effect on the financial statements of the Center.

NOTE 3 - CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” as amended by GASB Statement No. 40, “Deposit, and Investment Risk Disclosures”.

At June 30, 2023, the carrying amount of the Center’s deposits was \$25,670. Based upon the criteria described in GASB Statement No. 40, all of the Center’s bank balance of \$25,670 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.

Investments- As of June 30, 2023 the Center had the following investment:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Investment Maturity 3 Months or Less</u>	<u>Percentage of Total</u>
Money Market Account	<u>\$ 245,014</u>	<u>\$ 245,014</u>	<u>100%</u>

Interest Rate Risk- As a means of limiting exposure to fair value losses arising from rising interest rates according to state law, the Center’s investment policy limits investment portfolio maturities to five years or less.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Credit Risk- The Center has no policy limiting investments based on credit risk other than those established by State law. The money market account is rated AAAm by Standard and Poor's.

Concentration of Credit Risk- The Center places no limit on the amount that may be invested in any one issuer.

Custodial Credit Risk- For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the money market account was covered FDIC insurance.

The Center has no deposit policy for custodial credit risk beyond the requirements of state statute. According to state law, public depositories must give security for all public funds on deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 against all of the public deposits it holds, or as specific collateral held at the Federal Reserve Bank in the name of the Center. State law does not require security for public deposits and investments to be maintained in the Center's name. During fiscal year 2023, the Center and public depositories complied with the provisions of these statutes.

NOTE 4 - CAPITAL ASSETS

For the period ending June 30, 2023, the Center's capital assets consist of the following:

	Balance 06/30/22	Additions	Deletions	Balance 06/30/23
Capital Assets:				
Furniture & Equipment	\$ 6,125	\$ -	\$ -	\$ 6,125
Intangible Right to Use Asset-Building	210,459	-	-	210,459
Computers & Software	223,462	8,748	-	232,210
Total Capital Assets	440,046	8,748	-	448,794
Less Accumulated Depreciation:				
Furniture & Equipment	(6,125)	-	-	(6,125)
Intangible Right to Use Asset-Building	(70,153)	(70,153)	-	(140,306)
Computers & Software	(217,117)	(6,088)	-	(223,205)
Total Accumulated Depreciation	(293,395)	(76,241)	-	(369,636)
Total Capital Assets, Net	\$ 146,651	\$ (67,493)	\$ -	\$ 79,158

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 5 - RISK MANAGEMENT

Property & Liability - The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2023, the Center contracted with the Indiana Insurance Company for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate coverage. Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior year.

NOTE 6 - CONTINGENCIES

Grants - The Center received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the Center, any such adjustments will not have a material adverse effect on the financial position of the Center.

Litigation - There are currently no matters in litigation with the Center as defendant.

NOTE 7 - SPONSOR

During the fiscal year, the Center contracted with the Office of Ohio School Sponsorship for sponsor and oversight services as required by law. Sponsorship fees were calculated at 3% of per pupil funding received from the State of Ohio and equaled \$25,281 during 2023.

NOTE 8 - PURCHASED SERVICES

For the period of July 1, 2022 through June 30, 2023, the Center made the following purchased services commitments.

<u>Purchased Services</u>	<u>Amount</u>
Professional Services	\$ 840,986
Property Services	18,675
Contractual Trade	50,202
Total	<u>\$ 909,863</u>

Purchased Services include amounts paid to Summit County Educational Service Center for staffing services in the amount of \$752,175. Also included in the above are payments to the Cuyahoga Falls City Schools (the Center's former Sponsor) for rent, utilities, staffing and reimbursement of other miscellaneous expenses from the current year in the amount of \$114,926. In May 2018, Cuyahoga Falls City Schools agreed to keep the rent expense at \$6,551 a month through June 30, 2023. There was also \$460,695 reflected on the Statement of Net Position as being "Due to the Cuyahoga Falls BOD" for amounts accrued in prior fiscal years that remains unpaid.

SCHNEE LEARNING CENTER - SUMMIT COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 9 – LEASE OBLIGATIONS

Effective July 1, 2020, the Center entered into a lease with Cuyahoga Falls City School District Board of Education for a period of 4 years through June 30, 2024. The Center is leasing 61% of the property known as Schnee Elementary School and attendant grounds located at 2222 Issaquah Street. Monthly rent of \$6,551 is due the entire length of the lease plus optional renewals. Since the Center has outstanding agreements to lease building [space], and due to the implementation of GASB Statement 87, these leases have met the criteria of leases thus requiring them to be recorded by the Center. The future lease payments were discounted based on the interest rate implicit in the lease or using the Center’s incremental borrowing rate. This discount is being amortized over the life of the lease. Accumulated depreciation on the leased building totaled \$140,306, leaving a net book value of \$70,153.

Changes in the Center’s lease obligations during fiscal year 2023 were as follows:

	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023	Due Within One Year
Direct Borrowing:					
Lease Obligations	\$ 144,853	\$ -	\$ (69,541)	\$ 75,312	\$ 75,312
Total Long-Term Obligations	<u>\$ 144,853</u>	<u>\$ -</u>	<u>\$ (69,541)</u>	<u>\$ 75,312</u>	<u>\$ 75,312</u>

A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest	Total
2024	\$ 75,312	\$ 3,303	\$ 78,615
Total	<u>\$ 75,312</u>	<u>\$ 3,303</u>	<u>\$ 78,615</u>

NOTE 10 – MANAGEMENT’S PLAN

The Center had an increase in net position of \$78,741 during the fiscal year, however net position at fiscal yearend was still a deficit of \$352,280. Management intends to eliminate these deficits by increasing enrollment, reevaluating staffing levels and applying for grant funds.

NOTE 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2023, the Center received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the Center. The impact on the Center’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Schnee Learning Center, Summit County, Ohio (the “Center”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center’s basic financial statements, and have issued our report thereon dated November 13, 2023, in which we noted the Center has recurring losses from operations and a net position deficit that raise substantial doubt about its ability to continue as a going concern.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rea & Associates, Inc.
Medina, Ohio
November 13, 2023

OHIO AUDITOR OF STATE KEITH FABER



SCHNEE LEARNING CENTER

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/28/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov