

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

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2016

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Members of the Board
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 James G. Zupka, CPA, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 23, 2017

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**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Schnee Learning Center
Cuyahoga Falls, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Schnee Learning Center, (a component unit of Cuyahoga Falls City School District), Summit County, Ohio, (the Center) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center'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 Center'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 Center'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 Schnee Learning Center, Ohio, as of June 30, 2016, 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.

Emphasis of Matter

The accompanying basic financial statements have been prepared assuming that the Schnee Learning Center, Ohio, will continue as a going concern. As described in Note 9 to the basic financial statements, the Schnee Learning Center, Ohio, has a declining net position due to the expenses exceeding revenues, which raises substantial doubt about the Schnee Learning Center, Ohio's ability to continue. Management's plans in regard to those matters are also described in Note 9. 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 that the Management's Discussion and Analysis, as 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 27, 2016, on our consideration of the Schnee Learning Center, Ohio'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 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 Schnee Learning Center, Ohio's internal control over financial reporting and compliance.


James G. Zupka, CPA, Inc.
Certified Public Accountants

December 27, 2016

**SCHNEE LEARNING CENTER
SUMMIT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016. 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 2015-16 year are as follows:

- Total Assets decreased \$69,917.
- Total Liabilities increased \$100,864.
- Total Net Position decreased \$170,781.
- Total Operating and Non-Operating Revenues were \$951,293. Total Operating Expenses were \$1,122,074.

USING THIS ANNUAL REPORT

This report consists of three parts: the MD&A, 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 2016. 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**

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

Statement of Net Position

The Statement of Net Position answers the question of how the Center did financially during 2016. 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 2016 and 2015.

**Table 1
Statement of Net Position**

	2016	2015
Assets		
Current Assets	\$ 46,790	\$ 117,113
Capital Assets, Net of Accumulated Depreciation	12,465	12,059
Total Assets	\$ 59,255	\$ 129,172
Liabilities		
Current Liabilities	\$ 584,038	\$ 483,174
Total Liabilities	584,038	483,174
Net Position		
Investment in Capital Assets	12,465	12,059
Unrestricted	(537,248)	(366,061)
Total Net Position	\$ (524,783)	\$ (354,002)

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2016, the Center's net position totaled \$(524,783).

Current assets represent cash and cash equivalents. Current liabilities represent accounts payable, deferred revenue, and amounts Due to Related Parties at fiscal year-end.

During the year, the Center's cash balance decreased as a direct result of a decrease in revenue which also caused an increase in payables at the end of the year.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY**

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

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in Net Position for fiscal year 2016 and 2015, as well as a listing of revenues and expenses.

**Table 2
Change in Net Position**

	2016	2015
Operating Revenue		
State Aid	\$ 884,558	\$ 1,022,801
Other	19,200	22,053
Total Operating Revenues	903,758	1,044,854
 Operating Expenses		
Purchased Services	1,080,486	1,178,918
Materials and Supplies	35,143	21,325
Other	212	795
Depreciation	6,233	0
Total Operating Expenses	1,122,074	1,201,038
Operating (Loss)	(218,316)	(156,184)
 Non-Operating Revenues		
Federal and State Grants	44,159	60,569
Other Grants	3,376	88,455
Total Non-Operating Revenues	47,535	149,024
Increase (Decrease) in Net Position	\$ (170,781)	\$ (7,160)

During the year, revenues decreased from the prior year by \$242,585 and there was also a decrease in expenses of \$78,964. This decrease in revenue is directly related to a decrease in FTE for the fiscal year. FTEs decreased by 18.71 from the prior year.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY**

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

CAPITAL ASSETS

At fiscal year end, the Center's net capital asset balance was \$12,465. This balance represents \$6,639 of current year additions offset by current year depreciation of \$6,233. For more information on capital assets, see Note 4 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The Center is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In 2016, the State raised the base per pupil funding to \$5,900, which is up from \$5,800 in the previous year. Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based. This amount is projected to be \$150 per pupil.

The full-time equivalent enrollment of the School for the year ended June 30, 2016 was 122.16 compared to a figure of 140.87 at the end of fiscal year 2015.

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 C. David Massa, CPA, of Massa Financial Solutions, LLC, 2222 Issaquah Street, Cuyahoga Falls, Ohio 44221-0396, or e-mail at dave@massasolutionsllc.com.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY**

**Statement of Net Position
At June 30, 2016**

Assets

Current Assets:

Cash and Cash Equivalents \$ 46,790

Total Current Assets 46,790

Noncurrent Assets:

Capital Assets:

Depreciable Capital Assets, net 12,465

Total Noncurrent Assets 12,465

Total Assets \$ 59,255

Liabilities

Current Liabilities:

Accounts Payable 98,031

Due to Related Parties 460,695

Deferred Revenue 25,312

Total Liabilities \$ 584,038

Net Position

Investment in Capital Assets 12,465

Unrestricted (537,248)

Total Net Position \$ (524,783)

See accompanying notes to the basic financial statements

**SCHNEE LEARNING CENTER
SUMMIT COUNTY**

**Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2016**

Operating Revenues

State Aid	\$ 884,558
Other	19,200
Total Operating Revenues	<u>903,758</u>

Operating Expenses

Purchased Services	1,080,486
Materials and Supplies	35,143
Other	212
Depreciation	6,233
Total Operating Expenses	<u>1,122,074</u>

Operating (Loss) (218,316)

Non-Operating Revenues

Federal and State Grants	44,159
Other Grants	3,376
Total Non-Operating Revenues	<u>47,535</u>

Change in Net Position (170,781)

Net Position, Beginning of Year (354,002)

Net Position, End of Year \$ (524,783)

See accompanying notes to the basic financial statements

**SCHNEE LEARNING CENTER
SUMMIT COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016**

<u>Cash Flows from Operating Activities</u>	
Cash Received from State of Ohio	\$ 877,868
Cash Received from Other Operating Sources	19,200
Cash Payments to Suppliers for Goods and Services	(967,927)
Cash Payments for Materials and Supplies	<u>(35,143)</u>
Net Cash (Used for) Operating Activities	(106,002)
<u>Cash Flows from Non-capital Financing Activities</u>	
Cash Received from Federal Grants	44,159
Cash Received from Other Grants	<u>3,376</u>
Net Cash Provided by Non-capital Financing Activities	47,535
<u>Cash Flows from Capital and Related Financing Activities</u>	
Cash Payments for Capital Acquisitions	<u>(6,639)</u>
Net Cash (Used for) Capital Financing Activities	(6,639)
Net Increase in Cash and Cash Equivalents	(65,106)
Cash and Cash Equivalents, Beginning of Year	<u>111,896</u>
Cash and Cash Equivalents, End of Year	<u>\$ 46,790</u>

(Continued)

**SCHNEE LEARNING CENTER
SUMMIT COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016
(Continued)**

**RECONCILIATION OF OPERATING LOSS TO NET
CASH (USED FOR) OPERATING ACTIVITIES**

Operating Loss	\$ (218,316)
Depreciation	6,233
Changes in Assets and Liabilities:	
(Increase)/Decrease in Prepays	5,217
Increase/ (Decrease) in Accounts Payable	82,242
Increase/ (Decrease) in Intergovernmental Payable	(6,690)
Increase/ (Decrease) in Deferred Revenue	25,312
	<hr/>
Net Cash (Used for) Operating Activities	<u><u>\$ (106,002)</u></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, 2016**

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 (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 July 1st, 2015 the Center renewed the contract with the Sponsor for another five year period, which will expire on June 30, 2020. 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 140 students during fiscal year 2016.

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 Massa Financial Solutions, LLC.

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 Cuyahoga 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, 2015 through June 30, 2016 can be found in Note 7 and Note 8.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

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

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.

A. 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 Net Position, financial position and cash flows.

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.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and all liabilities 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.

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 Chapter 5705 (with the exception of section 5705.391 – Five Year Forecasts), unless specifically provided for in the Center's sponsorship agreement. The contract between the Center and its Sponsor requires a detailed budget for each year of the contract; however the budget does not have to follow the provisions of the Ohio Revised Code Section 5705.

D. Cash and Cash Equivalents

Cash received by the Center is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The Center did not have any investments during the period ended June 30, 2016.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. 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.

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.

G. 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 \$884,558 this fiscal year from the Foundation Program and \$44,159 from Federal grants and other intergovernmental sources.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. 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.

J. 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. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met due at June 30, 2016 are recorded as deferred revenue. Receivables that will not be collected within the available period have been reported as deferred inflows of resources. The Center has no deferred inflows and has no deferred outflows of resources at June 30, 2016.

K. 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. There were no non-operating expenses reported at June 30, 2016.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2016, the Center has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Center.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the Scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Center.

GASB Statement no. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and address the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Center.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for and external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Center.

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, 2016, the carrying amount of the Center's deposits was \$46,790. Based upon the criteria described in GASB Statement No. 40, all of the Center's bank balance of \$46,790 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.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

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

3. CASH AND CASH EQUIVALENTS (Continued)

The Center had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2016, none of the bank balance was exposed to custodial credit risk.

4. CAPITAL ASSETS

For the period ending June 30, 2016, the Center's capital assets consisted of the following:

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/16</u>
Capital Assets:				
Furniture, Fixtures, & Equipment	\$ 6,125	\$ -	\$ -	\$ 6,125
Computers & Software	200,337	6,639	-	206,976
Total Capital Assets	<u>206,462</u>	<u>6,639</u>	<u>-</u>	<u>213,101</u>
Less Accumulated Depreciation:				
Furniture, Fixtures, & Equipment	(6,125)	-	-	(6,125)
Computers & Software	(188,278)	(6,233)	-	(194,511)
Total Accumulated Depreciation	<u>(194,403)</u>	<u>(6,233)</u>	<u>-</u>	<u>(200,636)</u>
Capital Assets, Net	<u>\$ 12,059</u>	<u>\$ 406</u>	<u>\$ -</u>	<u>\$ 12,465</u>

5. RISK MANAGEMENT

A. 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, 2016, 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.

6. CONTINGENCIES

A. 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.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

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

6. CONTINGENCIES (Continued)

B. Litigation

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

C. Full-Time Equivalency

The School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, the community school districts must comply with the minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the total impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School; therefore, the financial statements impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the Center.

7. SPONSOR AND RELATED PARTY TRANSACTIONS

During the fiscal year, the Center contracted with Cuyahoga Falls City School District for sponsor and overnight services as required by law. Sponsorship fees were calculated at 3% of per pupil funding received from the State of Ohio and equaled \$26,394 during 2016. In addition, the Center had expenses due to the District for rent, utilities, staffing and reimbursement of other miscellaneous expenses from the current year, as well as, past years. As of June 30, 2016, the total amount due to the District was \$460,695 and is shown on the Statement of Net Position as "Due to Related Parties".

8. PURCHASED SERVICES

For the period of July 1, 2015 through June 30, 2016, the Center made the following purchased services commitments.

Professional and Technical Services	\$ 937,088
Property Services	134,433
Travel and Meetings	848
Miscellaneous	8,117
	<u>\$ 1,080,486</u>

Purchased Services include amounts paid to Cuyahoga County Educational Service Center for staffing services in the amount of \$842,937.

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO**

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

9. 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 a decrease in net position of \$170,781, and current liabilities exceeding current assets and capital assets by \$524,783 during fiscal year 2016. Management intends to eliminate these deficits by increasing enrollment, reevaluating staffing levels and applying for grant funds.

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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 Members of the Board
Schnee Learning Center
Cuyahoga Falls, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Schnee Learning Center (a component unit of Cuyahoga Falls City School District), Summit County, Ohio, (the Center) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 27, 2016, wherein we noted the accompanying financial statements have been prepared assuming that the Schnee Learning Center will continue as a going concern.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Schnee Learning Center'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 Schnee Learning Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Schnee Learning 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 Schnee Learning Center'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 may exist that have not been identified.

Compliance and Other Matters

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

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 27, 2016

**SCHNEE LEARNING CENTER
SUMMIT COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The prior audit report, as of June 30, 2015, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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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
APRIL 6, 2017**