

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

***PORTAGE COUNTY, OHIO***

**Audit Report**

**For the Year Ended June 30, 2015**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bio-Med Academy STEM School, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 18, 2016

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

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

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## **INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Directors:

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

We have audited the accompanying financial statements of the Bio-Med Science Academy STEM School, Portage County, Ohio (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bio-Med Science Academy STEM School, Portage County as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



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

November 18, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015**

As management of Bio-Med Science Academy STEM School (the School), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

**Financial Highlights**

In August 2012, Bio-Med Science Academy, Inc. opened its doors to 70 freshmen students in a year round high school that followed a STEM (Science, Technology, Engineering and Math) curriculum. In April 2013, the school received a formal STEM designation from the State of Ohio. This new designation required the community school to close and open a new STEM school. The community school closed as of June 30, 2013 and Bio-Med Science Academy STEM School opened July 1, 2013. Students from the previous community school were transferred to the STEM school as sophomores and a new freshman class was added. In August 2014, as freshmen and sophomores were promoted to the next grade, a new class of freshmen started.

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

The School has receivables totaling \$22,953 for student fees, federal school lunch program, state casino revenue and other miscellaneous accounts receivable earned in 2015, but not received until after June 30, 2015. As of yearend, the financial statements show a NEOMED advances payable for \$768,377 reflecting the expenses not yet reimbursed by the School. NEOMED understands that the School's funds will be limited during the start-up phase and is not expecting full reimbursement of the School's monthly expenses until maximum student enrollment in each of the four years of the program is achieved.

**Using these Basic Financial Statements**

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

**Reporting the School Financial Activities**

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

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

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(continued)**

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

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

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

**Financial Analysis**

The following tables indicate the School's financial analysis:

**Table 1 – Statement of Net Position**

	<u>6/30/2015</u>	<u>6/30/2014</u>
<b>Assets</b>		
Cash	\$ 167,546	\$ 31,914
Federal School Lunch Program Receivable	1,560	2,007
State Casino Receivable	5,742	3,737
Other Miscellaneous Accounts Receivable	15,652	11,094
Prepaid Expenses	3,746	-
Capital Assets, Net	<u>267,256</u>	<u>31,965</u>
Total Assets	<u>461,502</u>	<u>80,717</u>
<b>Liabilities</b>		
NEOMED Advances Payable	768,377	675,044
Accrued Liabilities	1,242	14,883
Unearned Revenue	<u>2,045</u>	<u>-</u>
Total Liabilities	<u>771,664</u>	<u>689,927</u>
<b>Net Position</b>		
Investment in Capital assets	267,256	-
Restricted	284,506	-
Unrestricted	<u>(861,924)</u>	<u>(609,210)</u>
Total Net Position	<u>\$(310,162)</u>	<u>\$(609,210)</u>

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(continued)**

**2015 versus 2014**      During the year ended June 30, 2015:

Assets increased substantially as the School added its third class. NEOMED allows an extended period of time for expense reimbursements to be paid and this has allowed the School to hold on to their funds longer and were able to start investing money through the State of Ohio’s STAR Plus system. All money invested in this program is FDIC insured. Additional capital assets were funded mainly through grant revenues.

The increase in NEOMED – Advances Payable is due to the increase in students and associated costs. Unearned revenues are FY2016 student fees that were paid to the School early in FY2015.

Net Position increased by \$299,048 in FY2015. This is due to adding a new class to the School. The School now has freshman, sophomore and junior classes. The negative net position of the School is due to the start-up costs of the program and less than full enrollment during the fiscal year. NEOMED has agreed to pay all expenses and receive reimbursement from the School as funds become available during this start-up period. Once full enrollment is reached, the School expects to be able to meet its current liabilities.

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

	<u>6/30/2015</u>	<u>6/30/2014</u>
<b>Revenue</b>		
State Foundation Payments	\$ 1,818,937	\$ 655,615
State Casino & Facility Payments	45,121	7,772
Student Fees and Reimbursements	66,599	40,477
Grant Revenue	342,882	83,662
Other Revenue	<u>5,713</u>	<u>-</u>
Total Revenue	2,279,252	787,526
<b>Expenses</b>		
Purchased Services	1,714,519	1,202,957
Materials & Supplies	182,478	159,481
Student Activities	32,760	21,982
Other	16,594	8,764
Depreciation	<u>33,853</u>	<u>3,552</u>
Total Expenses	<u>\$1,980,204</u>	<u>\$1,396,736</u>

The June 30, 2015 State Foundation payments consisted of \$313,652 from FY14 not received in the prior year. A receivable was not accrued in FY14 as the School did not believe it would be receiving payment.

A majority of the School’s overall expenses, 68.8% were for reimbursement for the salaries and benefits of the School’s staff.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(continued)**

**Capital Assets**

In FY15, the School moved to its permanent home in the NEW Center, the University's new health and wellness center which was finished August 2014. Most furniture and equipment being used was loaned to the School from NEOMED.

<b><u>Capital Assets (net of depreciation)</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Equipment	<u>\$267,256</u>	<u>\$ 31,965</u>
Total	<u>\$267,256</u>	<u>\$ 31,965</u>

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

**Debt Administration**

The School did not have any long-term debt.

NEOMED paid all payroll and expenses for the School and billed the School monthly for reimbursement. The \$768,377 and \$675,044 in NEOMED – Advances Payable is the amount due to NEOMED at June 30, 2015 and 2014 respectively, for salary, benefits and other expenses.

**Current Financial Related Activities**

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

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

**Contacting the School's Financial Management**

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

**Bio-Med Science Academy STEM School**  
**Statements of Net Position**  
**June 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and equivalents, pooled	\$ 167,546
Federal School Lunch Program Receivable	1,560
State Casino Receivable	5,742
Student Fee Receivable	14,505
Other misc accounts receivable	1,147
Prepaid Expenses	3,746

Total current assets	194,246
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**NONCURRENT ASSETS**

Capital assets, net	267,256
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Total noncurrent assets	267,256
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Total assets	461,502
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**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

NEOMED - Advances Payable	768,377
Accrued liabilities	1,242
Unearned Revenue	2,045

Total current liabilities	771,664
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**NET POSITION**

Investment in Capital Assets	267,256
Restricted:	
Grants	284,506
Unrestricted	(861,924)
Total net position	(310,162)

Total liabilities and net position	\$ 461,502
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The accompanying notes to the financial statements are an integral part of this statement

**Bio-Med Science Academy STEM School**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2015**

**OPERATING REVENUES**

State Foundation Payments	\$ 1,818,937
State Casino & Facility Payments	45,121
Student Fees and Reimbursements	66,599
Miscellaneous Income	5,444

Total Operating Revenue	1,936,101
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**OPERATING EXPENSES**

Purchased Services	1,623,650
Materials and Supplies	159,530
Field trips and other student activities	32,760
Other	16,488
Depreciation	33,853

Total Operating Expenditures	1,866,281
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Operating income (Loss)	69,820
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**NONOPERATING REVENUES (EXPENSES)**

State & Federal Grant Revenue	90,972
State & Federal Grant (Expenses)	(113,923)
Investment Income	269

Net Non-Operating Revenues/(Expenses)	(22,682)
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<b>GAIN (LOSS) BEFORE CAPITAL GRANT REVENUE</b>	<b>47,138</b>
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<b>CAPITAL GRANT REVENUE</b>	<b>251,910</b>
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Increase/(decrease) in net position	299,048
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Net position at the beginning of the year	(609,210)
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Net position at the end of the year	\$ (310,162)
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The accompanying notes to the financial statements are an integral part of this statement

**Bio-Med Science Academy STEM School**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended June 30, 2015**

<b>Cash Flows from Operating Activities</b>	
Cash received from the State of Ohio	\$1,862,550
Cash received from the misc student fees/reimbursements	63,198
Other operating receipts	5,444
Cash payments to management company	(1,755,609)
Cash payments for other operations	<u>(35)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	175,548
<b>Cash Flows from Noncapital Financing Activities</b>	
Cash received from grants and awards	42,544
Cash payments for grants & contracts	<u>(65,495)</u>
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	(22,951)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital gifts & grants	27,697
Payments for capital assets	<u>(44,931)</u>
<i>Net Cash Provided for Capital and Related Financing Activities</i>	(17,234)
<b>Cash Flows from Investing Activities</b>	
Investment income	<u>269</u>
<i>Net Cash Provided from investing Activities</i>	<u>269</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	135,632
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>31,914</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$167,546</u></u>

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

**Bio-Med Science Academy STEM School**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended June 30, 2015**  
**Continued**

**Reconciliation of Operating Gain (Loss) to Net Cash  
Provided by (Used in) Operating Activities**

Operating Gain (Loss)	\$69,820
Adjustments:	
Depreciation	33,853
(Increase) Decrease in Assets:	
Accounts Receivable	(6,116)
Prepaid Expenses	(3,746)
Increase (Decrease) in Liabilities:	
Accounts Payable	93,333
Accrued Liabilities	(13,641)
Unearned Revenue	2,045
	\$175,548
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u><u>\$175,548</u></u>

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015**

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

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

As further described in Note 6 to the financial statements, the School has contracted with Northeast Ohio Medical University (NEOMED) to employ and facilitate the day-to-day management of the School. NEOMED is a legally separate state university, the results of which are not reflected in the financial statements.

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

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

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

The financial statements of Bio-Med Science Academy STEM School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following are the more significant of the School District’s accounting policies.

**A. Basis of Presentation**

The School’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

The accounting and financial reporting treatment is determined by the School’s measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The Statement of Cash Flows reflects how the School finances and meets



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(continued)**

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

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

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

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, STEM schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code Section 5705.391 does not require the School to prepare a five-year projection but the STEM school did prepare one in fiscal year 2015.

**D. Cash and Investments**

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

During fiscal year 2015, investments were limited to STAR Ohio. STAR Ohio is not registered with the SEC as investment companies, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s net asset value per share which is the price the investment could be sold for at June 30, 2015.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$269.

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

**E. Accounts Receivable**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(continued)**

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

**G. Capital Assets and Depreciation**

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

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

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

**H. Operating Revenues and Expenses**

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

**I. Intergovernmental Revenues**

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

**J. Current Liabilities**

Accrued liabilities include amounts payable to NEOMED for reimbursements due for expenses paid on behalf of the School in accordance with the School's management contract as further described in Note 6.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(continued)**

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

**L. Use of Estimates**

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

**M. Net Position**

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either by constitutional provisions or enabling legislation, or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School had restricted amounts on net position of \$284,506 as of June 30, 2015.

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

At June 30, 2015, the carrying amount of the School's deposits was \$167,546. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$0 of the bank balance was exposed to custodial risk as discussed below, while \$167,546 was covered by the Federal Deposit Insurance Corporation (FDIC). The School had no investments at June 30, 2015 or during the fiscal year.

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

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2015 consisted of federal school lunch program, state casino revenue, school fees and grant revenue. An allowance for doubtful accounts has been accrued for school fees for students with outstanding balances that meet the free and reduced lunch requirements.

The following is a summary of accounts receivable at June 30, 2015:

	<u>June 30, 2015</u>
Federal School Lunch Program	\$ 1,560
State Casino Receivable	5,742
Student Fee Receivable	14,504
Miscellaneous Accounts Receivable	<u>1,147</u>
Total Accounts Receivable	<u>\$ 22,953</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(continued)**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance 7/1/14	Additions	Deletions	Balance 6/30/15
Capital Assets Being Depreciated:				
Equipment	\$ 35,517	\$ 269,144	\$ -	\$ 304,661
Total Capital Assets Being Depreciated	35,517	269,144	-	304,661
Less accumulated depreciation:				
Equipment	3,552	33,853	-	37,405
Total accumulated depreciation	3,552	33,853	-	37,405
Total Capital Assets, Net of Depreciation	<u>\$ 31,965</u>	<u>\$ 235,291</u>	<u>\$ -</u>	<u>\$ 267,256</u>

**NOTE 6 – BIO-MED PERSONNEL**

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

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

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

**NOTE 8 – RELATED PARTY TRANSACTIONS**

As of June 30, 2015, the School has reimbursement for expenses payable to NEOMED of \$1,942,328. These payables are to cover expenses incurred by NEOMED on the School's behalf. The School had only limited capital assets as of June 30, 2015 as they used the furniture and equipment made available by NEOMED. All fiscal services were performed by the NEOMED Controller and were billed to the School at an expense of \$1 via the management fee.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(continued)**

**NOTE 9 – RISK MANAGEMENT**

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

There were no claims reported in the past two fiscal years nor decreases in coverages.

**NOTE 10 – TAX EXEMPT STATUS**

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

**NOTE 11 – MANAGEMENT COMPANY EXPENSES**

As per the agreement with NEOMED (see Note 7), NEOMED pays the School’s expenses and billed the School monthly for reimbursement. The related “purchased services” expense totaled \$1,942,328 for the year ended June 30, 2015.

NEOMED incurred the following actual direct and indirect expenses on behalf of the School during fiscal years 2015:

	<u>2015</u>
Salaries	\$1,109,184
Benefits	183,595
Retirement	159,513
Consulting	88,173
Legal	25,127
Insurance	4,091
Advertising	1,474
Materials & Supplies	182,478
Phone, Postage, Rent & Maintenance	37,702
Lunch Program	16,012
Miscellaneous	134,979
Total Purchased Services	<u>\$ 1,942,328</u>

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

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Fax - (216) 436-2411

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

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Bio-Med Science Academy STEM School, Portage County, (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2015.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



***Charles E. Harris and Associates, Inc.***  
November 18, 2015

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY  
JUNE 30, 2015**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2014, reported no material citations or recommendations.





# Dave Yost • Auditor of State

**BIO-MED SCIENCE ACADEMY STEM SCHOOL**

**PORTAGE COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 17, 2016**