

MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2022



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Menlo Park Academy
3149 West 53rd Street
Cleveland, Ohio 44102

We have reviewed the *Independent Auditor's Report* of the Menlo Park Academy, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2021 through June 30, 2022. 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 Menlo Park Academy is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 28, 2023

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**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Menlo Park Academy
3149 West 53rd Street
Cleveland, OH 44102

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Menlo Park Academy (the “Academy”), Cuyahoga County, Ohio, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements as listed in the table of contents.

In our opinion, based on our audit and report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Menlo Park Academy, Cuyahoga County, Ohio, as of June 30, 2022, 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.

We did not audit the financial statements of TAE Manager, LLC; West 53rd Holdings, LLC; and West 53rd Master Tenant LLC, which represent 87 percent, 59 percent, and 2 percent, respectively, of the assets, net position, and revenues of the Academy as of June 30, 2022. Those statements were audited by other auditors whose report was been furnished to us, and our opinion, insofar as it relates to the amounts included for TAE Manager, LLC; West 53rd Holdings, LLC; and West 53rd Master Tenant LLC is based solely on the report of other auditors.

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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 Academy 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. The financial statements of TAE Manager, LLC; West 53rd Holdings, LLC; and West 53rd Master Tenant LLC were not audited in accordance with *Government Auditing Standards*.

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 Academy'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 Academy'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 Academy'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 and Pension and Other Post-Employment Benefit Schedules, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the combining statements but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023 on our consideration of the Academy'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 Academy'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 Academy's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
February 27, 2023

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The discussion and analysis of the financial performance for Menlo Park Academy and its blended component units (collectively "the Academy") provides an overall review of the Academy's financial activities for the fiscal years ended June 30, 2022 and December 31, 2021, respectively. The component units are made up of West 53rd Holdings, LLC, TAE Manager, LLC, and West 53rd Master Tenant, LLC and are more fully described in the Notes to the Financial Statements. The intent of this discussion and analysis is to look at the financial performance of the Academy as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (the MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the Academy for the 2021-22 Academy year are as follows:

- Total Assets and Deferred Outflows of Resources decreased \$53,529.
- Total Liabilities and Deferred Inflows of Resources decreased \$230,974.
- Total Net Position increased \$177,445.
- Total Operating and Non-Operating Revenues were \$6,525,126. Total Operating and Non-Operating Expenses were \$6,347,681.

USING THIS ANNUAL REPORT

This report consists of three parts: the basic financial statements, notes to the basic financial statements, and required supplemental information. 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 Academy did financially during fiscal year 2022. These statements include all assets, deferred outflows of resources, 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.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

These statements report the Academy'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 Academy 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 Academy's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors. The Academy uses enterprise presentation for all of its activities.

Statement of Net Position - The Statement of Net Position answers the question of how the Academy did financially during 2022. This statement includes all assets, deferred outflows of resources, 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 Academy's Net Position for fiscal year 2022 compared to fiscal year 2021.

Table 1
Statement of Net Position

	2022	2021
Assets		
Current Assets	\$ 2,114,114	\$ 1,935,619
Noncurrent Assets	286,490	219,380
Capital Assets, Net	14,775,118	15,227,295
Total Assets	<u>17,175,722</u>	<u>17,382,294</u>
Deferred Outflows of Resources	<u>1,692,146</u>	<u>1,539,103</u>
Liabilities		
Current Liabilities	1,070,336	976,249
NonCurrent Liabilities	10,402,593	12,593,567
Total Liabilities	<u>11,472,929</u>	<u>13,569,816</u>
Deferred Inflows of Resources	<u>2,492,816</u>	<u>626,903</u>
Net Position		
Net Investment in Capital Assets	6,800,408	6,905,318
Unrestricted	(1,898,285)	(2,180,640)
Total Net Position	<u>\$ 4,902,123</u>	<u>\$ 4,724,678</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The Academy has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB asset/liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/liability to equal the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB asset/liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

Capital assets decreased due to depreciation expense exceeding capital asset purchases during the fiscal year. Current assets increased due to additional rent receivables due component units offset by decreases in cash from operations and restricted cash from scheduled principal payments.

The increase in current liabilities is due to an increase in accounts payable due to volatile nature of the account only partially offset by decreases in accrued wages and benefits and accrued expenses. Non-current liabilities decreased primarily from the decrease in the net pension/OPEB liabilities and also from scheduled payments on long-term debt.

There was a significant change in net pension/OPEB liability/asset for the Academy. The fluctuations are due to changes in actuarial liabilities/assets and related accruals that are passed through to the Academy's financial statement. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and net pension/OPEB liabilities/assets and are described in more detail in their respective notes.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Statement of Revenues, Expenses and Change in Net Position - Table 2 shows the change in Net Position for fiscal years 2022 and 2021 as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Table 2
Change in Net Position

	2022	2021
Operating Revenues		
State Aid	\$ 4,297,655	\$ 3,992,841
Lease Income	58,321	74,383
Classroom Materials and Fees	329,075	285,136
Charges for Services	137,526	103,479
Miscellaneous	74,213	85,116
Total Operating Revenues	<u>4,896,790</u>	<u>4,540,955</u>
Operating Expenses		
Salaries	2,850,664	2,480,662
Fringe Benefits	449,281	1,102,356
Purchased Services	1,635,322	1,241,080
Supplies	274,755	292,269
Depreciation	615,186	570,163
Other	169,977	265,433
Total Operating Expenses	<u>5,995,185</u>	<u>5,951,963</u>
Operating Income (Loss)	(1,098,395)	(1,411,008)
Non-Operating Revenues (Expenses)		
Debt Forgiveness	-	541,600
Federal and State Grants	1,351,359	992,672
Contributions and Donations	56,325	-
Intergovernmental Revenue	220,603	153,634
Interest Income	49	66,841
Interest Expense	(352,496)	(406,603)
Net Non-Operating Revenues (Expenses)	<u>1,275,840</u>	<u>1,348,144</u>
Change in Net Position	<u>\$ 177,445</u>	<u>\$ (62,864)</u>

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Operating Revenues increased from the prior year due to change in the foundation funding formula and an increase in FTE by 28. Fluctuations in non-operating revenues are the result of increases in federal grants based on additional COVID-19 related funding available to the Academy and increases in contributions and donations from the prior year. The annual increases in salaries for employees was almost fully offset by a decrease in the changes in accruals related to GASB 68/75 for pension and OPEB. Debt forgiveness decreased from the prior year due to decreases in PPP Loan forgiveness recognized in the prior year.

CAPITAL ASSETS

At fiscal year end, the Academy's net capital asset balance was \$14,775,118. This balance represents current year additions of \$163,009 offset by current year depreciation of \$615,186. For more information on capital assets, see Note 5 of the Basic Financial Statements.

DEBT

As discussed, the Academy and its component units took on debt obligations related to the facility project during a prior year.

In fiscal year 2017, \$9,826,000 of financing was provided through The Reinvestment Fund (\$6,400,000) and PNC Bank (\$3,426,000) for the project. During the fiscal year, \$366,800 worth of principal payments were made on these loans and \$367,139 of the total debt was considered to be current. For more information on the Academy's debt obligations, including the terms and related amortization tables, see Note 6 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The School 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 2022, the State increased the base per pupil funding to \$7,349, which is up from \$5,980 in the previous year. This increase was attributable to the change in funding formula. 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 \$250 per pupil.

The full-time equivalent enrollment of the Academy for the year ended June 30, 2022 was 592 compared to a figure of 564 at the end of fiscal year 2021.

Overall, the Academy will continue to provide learning opportunities and apply resources to best meet the needs of the students served.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, investors and creditors with a general overview of the Academy's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's Fiscal Officer, C. David Massa, CPA, of Massa Financial Solutions, LLC, 2149 West 53rd Street, Cleveland, OH 44102.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Statement of Net Position
June 30, 2022

Assets:

Current Assets:

Cash and Cash Equivalents	\$	255,603
Restricted Cash		685,372
Accounts Receivable		836,831
Rent Receivable		253,277
Other Assets		83,031
Total Current Assets		<u><u>2,114,114</u></u>

Noncurrent Assets:

Net OPEB Asset		286,490
Non Depreciable Capital Assets		415,756
Capital Assets, net of Accumulated Depreciation		14,359,362
Total Non-Current Assets		<u><u>15,061,608</u></u>

Total Assets 17,175,722

Deferred Outflows of Resources:

Pension (STRS & SERS)		1,359,952
OPEB (STRS & SERS)		332,194
Total Deferred Outflows of Resources		<u><u>1,692,146</u></u>

Liabilities:

Current Liabilities:

Accounts Payable		312,961
Accrued Wages and Benefits		230,271
Accrued Expenses		159,965
Current Portion of Long-Term Debt		367,139
Total Current Liabilities		<u><u>1,070,336</u></u>

Noncurrent Liabilities:

Non-Current Portion of Long-Term Debt		7,607,571
Net Pension Liability		2,451,148
Net OPEB Liability		343,874
Total Noncurrent Liabilities		<u><u>10,402,593</u></u>

Total Liabilities 11,472,929

Deferred Inflows of Resources

Pension (STRS & SERS)		1,949,563
OPEB (STRS & SERS)		543,253
Total Deferred Inflows of Resources		<u><u>2,492,816</u></u>

Net Position:

Net Investment in Capital Assets		6,800,408
Unrestricted Net Position		(1,898,285)
Total Net Position		<u><u>\$ 4,902,123</u></u>

See accompanying notes to the basic financial statements.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

Operating Revenues:	
State Aid	\$ 4,297,655
Lease Income	58,321
Classroom Materials and Fees	329,075
Charges for Services	137,526
Miscellaneous	74,213
Total Operating Revenues	4,896,790
Operating Expenses:	
Salaries	2,850,664
Fringe Benefits	449,281
Purchased Services	1,635,322
Depreciation	615,186
Supplies	274,755
Other Operating Expenses	169,977
Total Operating Expenses	5,995,185
Operating Income (Loss)	(1,098,395)
Non-Operating Revenues and (Expenses):	
Federal and State Restricted Grants	1,351,359
Intergovernmental Revenue	220,603
Donations and Contributions	56,325
Interest Income	49
Interest Expense	(352,496)
Net Non-operating Revenues and (Expenses)	1,275,840
Change in Net Position	177,445
Net Position - Beginning of Year	4,724,678
Net Position - End of Year	\$ 4,902,123

See accompanying notes to the basic financial statements.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
State Aid Receipts	\$ 4,297,655
Other Operating Receipts	392,811
Cash Payments for Asset Management Fees	(60,000)
Cash Payments to Employees for Services	(2,880,923)
Cash Payments for Employee Benefits	(671,464)
Cash Payments to Suppliers for Goods and Services	(1,948,398)
Net Cash Provided By (Used For) Operating Activities	<u>(870,319)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State Grant Receipts	1,351,359
Intergovernmental Revenue	220,603
Donations and Contributions	56,325
Net Cash Provided By Noncapital Financing Activities	<u>1,628,287</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of Capital Assets	(163,009)
Interest Income	49
Principal Payments Made on Loans	(366,800)
Interest Expense	(332,963)
Net Cash Provided By (Used For) Capital Financing Activities	<u>(862,723)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(104,755)
Cash and Cash Equivalents - Beginning of the Year	<u>1,045,730</u>
Cash and Cash Equivalents - Ending of the Year	<u>\$ 940,975</u>

See accompanying notes to the basic financial statements.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022
(Continued)

Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (1,098,395)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Depreciation	615,186
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
(Increase)/ Decrease in Net OPEB Asset	(67,110)
(Increase)/ Decrease in Deferred Outflows of Resources	(153,043)
(Increase)/ Decrease in Accounts Receivable	46,953
(Increase)/ Decrease in Rent Receivable	(253,277)
Increase/ (Decrease) in Net Pension/OPEB Liability	(1,822,368)
Increase/(Decrease) in Accounts Payable, Trade	148,582
Increase/(Decrease) in Accrued Expenses	(45,575)
Increase/(Decrease) in Accrued Wages and Benefits	(30,259)
(Increase)/ Decrease in Other Assets	(76,926)
Increase/ (Decrease) in Deferred Inflows of Resources	1,865,913
Net Cash Provided By (Used For) Operating Activities	<u>\$ (870,319)</u>

See accompanying notes to the basic financial statements.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - DESCRIPTION OF THE ENTITY

Menlo Park Academy ("MPA") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. MPA is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect MPA's tax-exempt status. MPA's objective is to provide educational services to gifted students in grades kindergarten through 8th grade. MPA, which is part of the State's education program, is independent of any Academy and is nonsectarian in its programs, admission policies, employment practices, and all other operations. MPA may acquire facilities as needed and contract for any services necessary for the operation of MPA.

MPA entered into a sponsorship agreement with Educational Service Center of Lake Erie West (the "Sponsor") on September 16, 2008 amended as of July 1, 2011 for a period through June 30, 2021. The Contract has been extended for an additional one year term through June 30, 2022. This agreement has been subsequently renewed for an additional one year term through June 30, 2023. The Sponsor is responsible for evaluating the performance of MPA and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. MPA operates under the direction of a Governing Board. The Governing Board 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 Governing Board controls MPA's one instructional/support facility staffed by personnel who provide services to students.

Component Units - As defined by GAAP, the reporting entity consists of the Academy, as well as, component units, which are legally separate organizations for which the officials of the Academy are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the Academy, or (b) the possibility that the component units will provide a financial benefit to or impose a financial burden on the Academy, or (c) the component units are financially dependent on the Academy. In addition, component units can be other organizations for which the nature and significance of their relationship with the Academy are such that exclusion would cause the reporting entity's financial statements to be misleading. Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. The discrete method presents the financial statements of the component units outside of the basic financial statement totals of the primary government. The Academy is reporting blended component units within its financial statements. The blending method was applied to the component units mainly because the management of the Academy has operational responsibilities for the component units having a shared board.

On December 4, 2014 Menlo Park Academy formed West 53rd Holdings, LLC which is a wholly-owned and controlled subsidiary. West 53rd Holdings, LLC was formed to acquire, hold, invest in, secure financing for, construct, rehabilitate, develop, improve, maintain, operate, and lease real property in a manner that furthers the charitable purpose of the Academy, by providing a decent, safe, sanitary facility for Academy operations. West 53rd Holdings, LLC had activity in the prior year. During fiscal year 2017, there were two additional entities which had activity in them related to the construction project. These were TAE Manager, LLC and West 53rd Master Tenant, LLC. The activity of these entities, along with West 53rd Holdings, LLC is reflected in these statements as a blended component unit with the financial activity of the Academy, Menlo Park Academy. All of the component unit entities have a December 31st year end,

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

which differs from the Academy's year end of June 30. Certain accounting differences between the Academy and the component units may exist due to the different fiscal years presented.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation - The Academy's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Change in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change 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.

Measurement Focus and Basis of Accounting - Enterprise accounting used a flow of economic resources measurement focus. Under this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statement of Net Position. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in 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 Academy and its Sponsor. The contract between the Academy and its Sponsor does not require the Academy to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

Cash and Cash Equivalents and Restricted Cash - Cash received by the Academy is reflected as "Cash and Cash Equivalents" and "Restricted Cash" on the Statement of Net Position. The Academy did have one investment account during the fiscal year ended June 30, 2022 that was classified as a cash equivalent. Restricted Cash is reported due to remaining OFCC grant monies obligated for contracts payable due to building repairs.

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.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Capital Assets and Depreciation - Capital assets are capitalized at cost after being placed in service. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. Donated assets are recorded at their acquisition value at the time of donation. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from Net Position. Capital assets were \$14,775,118, as of June 30, 2022, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets once the asset has been placed in service, except for land and construction in progress. The useful lives of each asset class are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Computers & Software	3 years
Site Improvements	15 years
Furniture, Fixtures, & Equipment	5 years
Building	39 years
Leasehold Improvements	2-4 years

The Academy's policy for asset capitalization threshold is \$5,000. 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.

Intergovernmental Revenues - The Academy 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 Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

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

Under the above programs the Academy recorded \$4,297,655 this fiscal year from the Foundation Program and \$1,351,359 from Federal and State grants and \$220,603 from other Intergovernmental sources of passed through property tax collections from Cleveland Municipal School District.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Net Position - Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by MPA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Accrued Liabilities - Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of Accounts Payable, Accrued Expenses, Accrued Wages and Benefits, and the Current Portion of Long-Term Debt totaling \$1,070,336 at June 30, 2022. \$202,714 of this amount related to liabilities of the blended component units.

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 Academy 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 Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activities of the Academy. For the Academy, 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 Academy. All revenues and expenses not meeting this definition are reported as non-operating.

Deferred Inflows and Deferred Outflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources include pension and OPEB. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position. (See Notes 8 and 9)

Pensions/Other Postemployment Benefits (OPEB) - For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

NOTE 3 - CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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".

The Academy and its component units maintain its cash and investment balances at Huntington Bank, as well as, PNC Bank. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per qualifying account. The Academy also maintains a PEX card account that operates as a prepaid purchasing card. The book balance of the PEX account as of June 30, 2022 was \$6,979. \$685,372 of the Academy's book balance at June 30, 2022 was classified as "Restricted Cash" on the Statement of Net Position for capital improvement obligations.

At June 30, 2022, the book amount and bank balance of the Academy and its component units was as follows:

	Book	Bank Balance
<u>School</u>	<u> </u>	<u> </u>
<i>Huntington</i>	\$ 217,946	\$ 219,500
<i>PNC Bank</i>	577,813	577,857
	<u>795,759</u>	<u>797,357</u>
<u>Component Units</u>		
<i>PNC Bank</i>	<u>138,237</u>	<u>138,237</u>
Total	<u>\$ 933,996</u>	<u>\$ 935,594</u>

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The Academy 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 Academy 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, 2022, \$327,813 of the bank balance was uninsured and exposed to custodial credit risk.

NOTE 4 - RECEIVABLES

The Academy and its component units had an accounts receivables totaling \$836,831 at June 30, 2022 which related to remaining monies due to the Academy as of June 30, 2022, but not received as of year-end.

Finally, the Academy had a \$6,074,000 loan receivable from monies provided to West 53rd Holdings, LLC (a component unit) for the renovation and expansion of the new Academy facility located at 2149 West 53rd St. in Cleveland, Ohio. The Academy funded this loan with a portion of the proceeds received at closing from The Reinvestment Fund. The loan is not reflected on the Statement of Net Position as it was eliminated in consolidation of the various entities, however, it is shown in the statements provided in the Supplementary Information section of this report. There is no allowance for doubtful accounts consideration due to the relationship of the entities guaranteeing payment in return.

NOTE 5 - CAPITAL ASSETS

For the fiscal year ended June 30, 2022, capital assets consisted of the following:

	Balance 06/30/21	Additions	Deletions	Balance 06/30/22
Capital Assets:				
Land (Non-Depreciable)	\$ 415,756	\$ -	\$ -	\$ 415,756
Building	15,105,082	-	-	15,105,082
Site Improvements	1,060,507	-	-	1,060,507
Furniture, Fixtures, and Equipment	344,098	-	-	344,098
Computers & Software	353,828	118,669	-	472,497
Leasehold Improvements	130,676	44,340	-	175,016
Total Capital Assets	17,409,947	163,009	-	17,572,956
Less Accumulated Depreciation:				
Building	(1,444,518)	(453,766)	-	(1,898,284)
Site Improvements	(82,733)	(3,194)	-	(85,927)
Furniture, Fixtures, and Equipment	(283,247)	(54,961)	-	(338,208)
Computers & Software	(288,210)	(100,898)	-	(389,108)
Leasehold Improvements	(83,944)	(2,367)	-	(86,311)
Total Accumulated Depreciation	(2,182,652)	(615,186)	-	(2,797,838)
Total Capital Assets, Net	\$ 15,227,295	\$ (452,177)	\$ -	\$ 14,775,118

During fiscal year 2022, the component units recorded no additions to capital assets.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 – LOANS PAYABLE and LONG-TERM OBLIGATIONS

The changes in the Academy's long-term obligations during fiscal year 2022 were as follows:

	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022	Due within One Year
Post Employment Liability:					
Net Pension Liability	\$ 4,226,712	\$ -	\$ (1,775,564)	\$ 2,451,148	\$ -
Net OPEB Liability	390,678	-	(46,804)	343,874	-
Total Post Employment Liability	<u>4,617,390</u>	<u>-</u>	<u>(1,822,368)</u>	<u>2,795,022</u>	<u>-</u>
TRF Leverage Loan A	5,086,886	-	(284,988)	4,801,898	302,357
CNMIF II (U), LLC	3,426,000	-	-	3,426,000	-
Component Unit	21,000	-	(21,000)	-	-
IFF	176,941	-	(60,812)	116,129	64,782
Unamortized Debt Issuance Costs	(388,850)	-	19,533	(369,317)	-
Total Loan Liabilities	<u>8,321,977</u>	<u>-</u>	<u>(347,267)</u>	<u>7,974,710</u>	<u>367,139</u>
Total Long-Term Obligations	<u>\$ 12,939,367</u>	<u>\$ -</u>	<u>\$ (2,169,635)</u>	<u>\$ 10,769,732</u>	<u>\$ 367,139</u>

The Reinvestment Fund Leverage Loans A & B

TRF (The Reinvestment Fund) Leverage Loan A in the amount of \$5,750,000 (long-term) and TRF Leverage Loan B in the amount of \$650,000 (short-term) was provided to the Academy in connection with the new Academy facility project. TRF Leverage Loan B was paid off in a prior fiscal year. The Academy in turn allocated a significant portion of these proceeds (\$6,074,000) to West 53rd Holdings, LLC for use in the development and rehabilitation of the subject property (2149 West 53rd St, Cleveland, Ohio). See also Note 4 for description of the loan receivable.

Pursuant to the loan agreements entered into in October 2016, the TRF Leverage Loan A has a term of 7 years and bears an interest rate of 5.96%. The loan has a balloon payment due at maturity of \$4,376,209.

CNMIF II (U), LLC Loan to West 53rd Holdings, LLC

The loan due to CNMIF II (U), LLC in the amount of \$3,426,000 is an obligation of the component unit, West 53rd Holdings, LLC (See Supplementary Information to these financial statements). The loan has a term of 30 years and bears an interest rate of 3.8111%. Interest only payments are due quarterly until October 28, 2023 at which time a principal and interest payments will be due through the maturity date of October 2046.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Significant Terms of The Reinvestment Fund and CNMFF (U) LLC Loans

The lender has secured first priority assignment on the facility as collateral. Mandatory prepayment on the loan with the OFCC grant funds shall be made within 5 days of receipt by the borrower. The borrower shall maintain an operating reserve account with at least \$200,000, subject to exclusive control by the lender as defined in the account agreements. Funds may only be used with the prior consent of the lender. The operating reserve account will be released to the borrower as of December 31, 2020 if enrollment exceeds 533 students and all other loan covenants have been met, meaning the school maintains debt service coverage ratio of at least 1.0, borrowers annual budget for fiscal year 2021 demonstrates a debt service coverage ratio of at least 1.2 to 1.0 and borrower has received notice from the Ohio Environmental Protection Agency of a "Covenant Not to Sue."

The borrower will maintain a debt service coverage ratio of not less than 1.0 to 1.0 for all indebtedness. The ratio will be calculated by the lender based on financial information provided by the borrower. Borrower shall at times maintain at last 30 days cash on hand, a ratio of cash and equivalents to current liabilities of not less than .4 to 1, ratio of debt to equity of not more than 3.5 to 1, and a debt service ratio of not less than 1.2 to 1 for all indebtedness of the borrower calculated annually by the lender and lease coverage ratio of not less than 1.0 to 1.0 including account funds available in the operating reserve account. Annual financial statements on a GAAP basis audited by an independent certified accountant shall be provided within 150 days of fiscal year end. Quarterly reports are due within 45 days at the end of each quarter.

Defaults on the loan are defined as failure to make timely payments, failure to comply with or perform and of the affirmative covenants as described above, false representations from the borrower, appointment of a receiver, trustee or liquidator, denial of entry to inspect the facility held as collateral, bankruptcy or defective collateralization, material adverse change in financial condition, and cancelation of sublease agreement. To remedy the defaults the lender, at its option, may declare all principal and interest due immediately, impose the default interest rate, and enforce rights to the secured collateral. In addition, the lender may take over control of the cash and other proceeds and demand collection directly to them. As of June 30, 2022, the Academy is in compliance with all covenants and the Lender has waived the requirement for annual audited statements to be filed within 150 days of fiscal year end.

IFF

On October 28, 2016, the Lessor entered into a loan agreement (the "IFF Loan Agreement") with IFF for \$350,000 (the "IFF Loan"). The IFF Loan accrues interest at a rate of 6.375% per annum. Pursuant to the IFF Loan Agreement, interest-only payments on the IFF Loan are due quarterly, partially in arrears and partially in advance, on the 10th day of each March, June, September, and December commencing on December 10, 2016 through September 10, 2017. Commencing on December 10, 2017, and thereafter on the 10 day of each March, June, September, and December through September 10, 2023, payments of accrued and unpaid interest, partially in arrears and partially in advance, and principal in an amount equal to \$17,664 are due and payable quarterly on the IFF Loan. All outstanding principal and any accrued and unpaid interest is due on the maturity date of September 30, 2023. Principal payments during the year totaled \$60,812.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Defaults on the loan are defined as failing to make timely payments in 5 days within the due date, failure to perform non-monetary obligations within 30 days, bankruptcy proceedings, assignment for the benefit of creditors, loss of tax exempt status, making false or misleading statements to lender, material adverse change in financial condition, failure to perform with any other loan documents to secure and improve the facility, foreclosure proceedings, and facility no longer being used for intended purpose.

In the event of default under the loan, the lender has the option to declare the loan immediately due and payable. In addition, the lender may increase the interest rate up to 5 percent (5%) over the current interest rate. The borrower also agrees to not incur any additional indebtedness without the lenders prior written consent. The borrower may incur up to an amount not to exceed \$100,000 of additional unsecured indebtedness without prior consent.

The lender has secured an interest in the facility as secure collateral.

Unamortized Debt Issuance Costs

Debt issuance costs are being amortized to interest expense over the term of the loans. For the period from August 5, 2016 (inception) to December 31, 2017, the effective interest rate on the QLICI Loans, IFF Loan, and the Bridge Loan, including amortization of debt issuance costs, was 4.18%, 7.94% and 10.54%, respectively. For the period from August 5, 2016 (inception) to December 31, 2021, amortization of debt issuance costs for all notes payable was \$207,739. The unamortized balance at year end was \$369,317.

Component Unit

At year end, the debt due to other component units was paid in full. This amount represented debt payments made between the Academy and component units during the period of January through June 2022 that were not able to be eliminated as an intra-company transaction in the consolidated statement due to the Academy and component units having different fiscal year ends.

Future obligations under each of the long-term loans are as follows:

Fiscal Year	TRF Leverage Loan A		CNMIF II, LLC		IFF	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 302,357	\$ 278,414	\$ -	\$ 130,568	\$ 64,782	\$ 5,875
2024	4,499,541	88,246	96,671	129,198	51,347	1,645
2025	-	-	100,408	125,460	-	-
2026	-	-	104,290	121,579	-	-
2027	-	-	108,322	544,208	-	-
2028-2032	-	-	607,755	422,014	-	-
2033-2037	-	-	734,672	274,302	-	-
2038-2042	-	-	888,094	95,744	-	-
2043-2046	-	-	785,788	-	-	-
Total Payments	\$ 4,801,898	\$ 366,660	\$ 3,426,000	\$ 1,843,073	\$ 116,129	\$ 7,520

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Lease Liability

On October 28, 2016, the Academy entered into a sublease with the West 53rd Master Tenant for the sublease of the Building from the Lessor (West 53rd Holdings, LLC) (the "Sublease"). Under the terms of the Sublease, the Academy agreed to pay the Lessee annual rent as set forth in the Sublease for a term of 15 years beginning on the Commencement Date, as defined in the Sublease (prorated for any partial year). The building was placed into service on August 17, 2017 (the "Commencement Date"). The Sublease is not reflected on the Statement of Net Position as it was eliminated in consolidation of the various entities, however, it is shown in the statements provided in the Supplementary Information section of this report.

Future obligations under the lease liability are as follows:

For the Fiscal Year Ended:	Amount
2023	\$ 827,222
2024	843,766
2025	860,641
2026	877,854
2027	895,411
2028-2032	4,752,949
Total	<u>\$ 9,057,843</u>

NOTE 7 - RISK MANAGEMENT

Property & Liability - MPA 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. Insurance settlements did not exceed insurance coverage for the past three years, nor has there been a significant reduction in coverage from the prior year. For the fiscal year ended 2022, MPA contracted with Althans Insurance Agency and had the following insurance coverage:

Commercial General Liability per Occurrence	\$1,000,000
Commercial General Liability Aggregate	2,000,000
Employee Benefits Liability	1,000,000
Employer's Liability	1,000,000
Employer's (OH Stop Gap) Liability	1,000,000
Automotive Liability - Non-owned Automobiles	1,000,000
Personal Property (\$2,500 deductible)	150,000
Computer Equipment (\$1,000 deductible)	115,000
Playground Equipment (\$1,000 deductible)	23,300
Modular Classroom	20,000
Excess Liability Umbrella	5,000,000
Crime (\$2,500 deductible)	250,000
Professional Educators Legal Liability (\$1,000 deductible)	1,000,000
Sexual Abuse Liability each claim	1,000,000
Sexual Abuse Liability Aggregate	3,000,000
Directors and Officers Liability	1,000,000

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Workers' Compensation - The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

Employee Medical and Dental Benefits - The Academy has contracted with a private carrier to provide employee medical and dental insurance to its full-time employees.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the MPA's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the MPA's obligation for this liability to annually required payments. The MPA cannot control benefit terms or the manner in which pensions are financed; however, the MPA does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued wages and benefits* on the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –MPA non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

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Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 60 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0.0%.

A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. The Retirement Board approved a 0.5% COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the MPA is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was the entire 14.0 percent.

The MPA's contractually required contribution to SERS was \$102,381 for fiscal year 2022.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –MPA licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing, multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

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STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options in the GASB 68 schedules of employer allocation and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2022, plan members were required to contribute 14 percent of their annual covered salary. The MPA was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2022 contribution rates were equal to the statutory maximum rates.

The MPA's contractually required contributions to STRS was \$305,481 for fiscal year 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The MPA's proportion of the net pension liability was based on the MPA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.0182393%	0.012482530%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.0193461%</u>	<u>0.013587876%</u>	
Change in Proportionate Share	<u>0.0011068%</u>	<u>0.001105346%</u>	
Proportionate Share of the Net Pension Liability	\$ 713,815	\$ 1,737,333	\$ 2,451,148
Pension Expense	\$ 217,224	\$ 1,106	\$ 218,330

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the MPA's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2022, the MPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 68	\$ 53,677	\$ 53,745
Changes of assumptions	15,031	481,967	496,998
Changes in proportion and differences between contributions and proportionate share of contributions	155,130	246,217	401,347
MPA contributions subsequent to the measurement date	<u>102,381</u>	<u>305,481</u>	<u>407,862</u>
Total Deferred Outflows of Resources	<u>\$ 272,610</u>	<u>\$ 1,087,342</u>	<u>\$ 1,359,952</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 18,512	\$ 10,889	\$ 29,401
Net difference between projected and actual earnings on pension plan investments	367,633	1,497,248	1,864,881
Changes in proportion and differences between contributions and proportionate share of contributions	<u>-</u>	<u>55,281</u>	<u>55,281</u>
Total Deferred Inflows of Resources	<u>\$ 386,145</u>	<u>\$ 1,563,418</u>	<u>\$ 1,949,563</u>

\$407,862 reported as deferred outflows of resources related to pension resulting from MPA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2023	\$ 50,664	\$ (181,988)	\$ (131,324)
2024	(66,330)	(180,212)	(246,542)
2025	(87,409)	(170,380)	(257,789)
2026	<u>(112,841)</u>	<u>(248,977)</u>	<u>(361,818)</u>
Total	<u>\$215,916</u>	<u>\$(781,557)</u>	<u>\$(997,473)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination).

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Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disable members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategies	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of MPA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
MPA's proportionate share of the net pension liability	\$ 1,187,613	\$ 713,815	\$ 314,241

Changes since measurement date Effective July 1, 2022 SERS made the following changes: Retiree Health Care – changes to monthly premium deductions associated with retiree health insurance and income related Medicare Parts B & D reimbursements. Cost-of-living adjustments – Changes to the cost-of-living adjustments made to retirees' pensions. Normal Retirement Age – changes to the "Normal Retirement Age" for members of Tiers II and IIA.

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2021, actuarial valuation.

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

Sensitivity of MPA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the MPA's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the MPA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
MPA's proportionate share of the net pension liability	\$ 3,253,373	\$ 1,737,333	\$ 456,281

Changes since measurement date In March 2022, the board eliminated the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The final change to the phased-in age and service requirements will be made Aug. 1, 2023, when 35 years of service will be required for an unreduced retirement.

NOTE 9 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability and net OPEB asset reported on the statement of net position represents a liability or asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability and net OPEB asset represent the MPA's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability and net OPEB asset calculations are dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually. Ohio Revised Code limits the MPA's obligation for this liability to annually required payments. The MPA cannot control benefit terms or the manner in which OPEB are financed; however, the MPA does receive the benefit of employees' services in exchange for compensation including OPEB.

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GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability and net OPEB asset. Resulting adjustments to the net OPEB liability and net OPEB asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *accrued wages and benefits* on the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The MPA contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, there was no contribution made to health care. A health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$23,000.

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Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge, is the total amount assigned to the Health Care Fund. The MPA's contractually required contribution to SERS was \$13,592 for fiscal year 2022.

Plan Description - State Teachers Retirement System (STRS)

The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and net OPEB asset were measured as of June 30, 2021, and the total OPEB liability and asset used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The MPA's proportion of the net OPEB liability and net OPEB asset were based on the MPA's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/asset Prior Measurement Date	0.0179760%	0.01248253%	
Proportion of the Net OPEB Liability/asset Current Measurement Date	<u>0.0181696%</u>	<u>0.01358788%</u>	
Change in Proportionate Share	<u>0.0001936%</u>	<u>0.00110535%</u>	
Proportionate Share of the Net OPEB Liability/(asset)	\$ 343,874	\$ (286,490)	\$ 57,384
OPEB Expense	\$ 46,977	\$ (20,461)	\$ 26,516

At June 30, 2022, the MPA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 3,665	\$ 10,199	\$ 13,864
Changes of assumptions	53,946	18,301	72,247
Changes in proportion and differences between contributions and proportionate share of contributions	214,058	18,433	232,491
MPA contributions subsequent to the measurement date	<u>13,592</u>	<u>-</u>	<u>13,592</u>
Total Deferred Outflows of Resources	<u>\$ 285,261</u>	<u>\$ 46,933</u>	<u>\$ 332,194</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 171,266	\$ 52,493	\$ 223,759
Changes of assumptions	47,091	170,909	218,000
Net difference between projected and actual earnings on OPEB plan investments	7,470	79,410	86,880
Changes in proportion and differences between contributions and proportionate share of contributions	<u>536</u>	<u>14,078</u>	<u>14,614</u>
Total Deferred Inflows of Resources	<u>\$ 226,363</u>	<u>\$ 316,890</u>	<u>\$ 543,253</u>

\$13,592 reported as deferred outflows of resources related to OPEB resulting from MPA contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	\$ 15,423	\$ (78,710)	\$ (63,287)
2024	15,368	(76,721)	(61,353)
2025	9,326	(69,844)	(60,518)
2026	7,890	(33,884)	(25,994)
2027	2,267	(11,153)	(8,886)
Thereafter	<u>(4,968)</u>	<u>355</u>	<u>(4,613)</u>
Total	<u>\$ 45,306</u>	<u>\$ (269,957)</u>	<u>\$ (224,651)</u>

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.27 percent
Prior Measurement Date	2.63 percent
Medical Trend Assumption	
Measurement Date	
Medicare	5.125 to 4.400 percent
Pre-Medicare	6.750 to 4.400 percent
Prior Measurement Date	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Base Mortality: Healthy Retirees - PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Disabled Retirees - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Contingent Survivors - PUB-2010 General

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Actives - PUB-2010 General Amount Weighted Below Median Employee mortality table.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 1.50 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments of current System members by SERS actuaries. . The Municipal Bond Index Rate is used in the determination for the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Sensitivity of MPA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
MPA's proportionate share of the net OPEB liability	\$ 426,102	\$ 343,874	\$ 278,185

	1% Decrease (5.75 % decreasing to 3.40%)	Current Trend Rate (6.75 % decreasing to 4.40%)	1% Increase (7.75 % decreasing to 5.40%)
MPA's proportionate share of the net OPEB liability	\$ 264,755	\$ 343,874	\$ 449,554

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation is presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Cost-of-Living Adjustments	0 percent	
Inflation	2.50 percent	
Discount Rate of Return	7.00 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	4.93 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.33 percent	4.00 percent
Medicare	29.98 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation is based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Sensitivity of MPA's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
MPA's proportionate share of the net OPEB asset	\$ 241,753	\$ 286,490	\$ 323,860

	1% Decrease	Current Trend Rate	1% Increase
MPA's proportionate share of the net OPEB asset	\$ 322,346	\$ 286,490	\$ 242,149

Benefit Term Changes Since the Prior Measurement Date

In February 2022, the Board approved changes to the demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

NOTE 10 - CONTINGENCIES

Grants - The Academy 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 Academy, any such adjustments will not have a material adverse effect on the financial position of the Academy.

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

NOTE 11 - PURCHASED SERVICES

For the period of July 1, 2021 through June 30, 2022, the Academy made the following purchased services commitments.

Purchased Services	Amount
Professional Services	\$ 784,756
Property Services	270,141
Utilities	107,782
Travel & Meetings	12,364
Communications	118,254
Contractual Trade	252,066
Pupil Transportation	89,959
Total	<u>\$ 1,635,322</u>

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 – 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 2022, MPA received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the MPA. The impact on the MPA's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

NOTE 13 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2022, the Academy has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates* and certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the Academy's financial statements; however, there was no effect on beginning net position.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraphs 13 and 14 of GASB Statement No. 93 did not have an effect on the financial statements of the Academy.

GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and 2) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Academy.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of the MPA's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
MPA's Proportion of the Net Pension Liability	0.0193461%	0.0182393%	0.0095028%	0.0084027%	0.0067112%	0.0061120%	0.0092101%	0.008302%	0.008302%
MPA's Proportionate Share of the Net Pension Liability	\$ 713,815	\$ 1,206,385	\$ 568,569	\$ 481,238	\$ 400,979	\$ 447,357	\$ 525,537	\$ 420,159	\$ 493,693
MPA's Covered Payroll	\$ 617,129	\$ 639,429	\$ 326,000	\$ 283,126	\$ 212,314	\$ 309,686	\$ 277,276	\$ 243,449	\$ 251,243
MPA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	115.67%	188.67%	174.41%	169.97%	188.86%	144.46%	189.54%	172.59%	196.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the MPA's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of the MPA's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
MPA's Proportion of the Net Pension Liability	0.013587876%	0.01248253%	0.01232596%	0.00130510%	0.01205793%	0.01279692%	0.01152955%	0.01069663%	0.01069663%
MPA's Proportionate Share of the Net Pension Liability	\$ 1,737,333	\$ 3,020,327	\$ 2,725,813	\$ 2,869,628	\$ 2,864,387	\$ 4,283,515	\$ 3,186,430	\$ 2,601,791	\$ 3,099,236
MPA's Covered Payroll	\$ 1,676,657	\$ 1,506,443	\$ 1,447,114	\$ 1,483,671	\$ 1,325,621	\$ 1,273,593	\$ 1,202,914	\$ 1,176,969	\$ 890,423
MPA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	103.62%	200.49%	188.36%	193.41%	216.08%	336.33%	264.89%	221.06%	348.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%	77.31%	75.29%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the MPA's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of MPA Contributions - Pension
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 102,381	\$ 86,398	\$ 89,520	\$ 44,010	\$ 38,222	\$ 29,724	\$ 43,356	\$ 36,545	\$ 33,742	\$ 34,772
Contributions in Relation to the Contractually Required Contribution	<u>(102,381)</u>	<u>(86,398)</u>	<u>(89,520)</u>	<u>(44,010)</u>	<u>(38,222)</u>	<u>(29,724)</u>	<u>(43,356)</u>	<u>(36,545)</u>	<u>(33,742)</u>	<u>(34,772)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MPA Covered Payroll	\$ 731,293	\$ 617,129	\$ 639,429	\$ 326,000	\$ 283,126	\$ 212,314	\$ 309,686	\$ 277,276	\$ 243,449	\$ 251,243
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of MPA Contributions - Pension
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 305,481	\$ 234,732	\$ 210,902	\$ 202,596	\$ 207,714	\$ 185,587	\$ 178,303	\$ 168,408	\$ 153,006	\$ 115,755
Contributions in Relation to the Contractually Required Contribution	(305,481)	(234,732)	(210,902)	(202,596)	(207,714)	(185,587)	(178,303)	(168,408)	(153,006)	(115,755)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MPA Covered Payroll	\$ 2,182,007	\$ 1,676,657	\$ 1,506,443	\$ 1,447,114	\$ 1,483,671	\$ 1,325,621	\$ 1,273,593	\$ 1,202,914	\$ 1,176,969	\$ 890,423
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of the MPA's Proportionate Share of the Net OPEB Liability
 MPA Employees Retirement System of Ohio
 Last Six Fiscal Years (1)

	2022	2021	2020	2019	2018	2017
MPA's Proportion of the Net OPEB Liability	0.0181696%	0.0179760%	0.0098031%	0.0086012%	0.0062458%	0.0059486%
MPA's Proportionate Share of the Net OPEB Liability	\$ 343,874	\$ 390,678	\$ 246,527	\$ 238,621	\$ 167,621	\$ 169,557
MPA's Covered Payroll	\$ 617,129	\$ 639,429	\$ 326,000	\$ 283,126	\$ 212,314	\$ 309,686
MPA's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	55.72%	61.10%	75.62%	84.28%	78.95%	54.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the MPA's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of the MPA's Proportionate Share of the Net OPEB Liability/Asset
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1)

	2022	2021	2020	2019	2018	2017
MPA's Proportion of the Net OPEB Liability/Asset	0.01358788%	0.01248253%	0.01232596%	0.01305103%	0.01205793%	0.01279692%
MPA's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (286,490)	\$ (219,380)	\$ (204,148)	\$ (209,717)	\$ 470,456	\$ 684,383
MPA's Covered Payroll	\$ 1,676,657	\$ 1,506,443	\$ 1,447,114	\$ 1,483,671	\$ 1,325,621	\$ 1,273,593
MPA's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-17.09%	-14.56%	-14.11%	-14.14%	35.49%	53.74%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	174.73%	182.13%	174.74%	176.00%	47.11%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the MPA's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of MPA Contributions - OPEB
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution (1)	\$ 13,592	\$ 3,459	\$ 7,051	\$ 7,916	\$ 6,403	\$ 4,061	\$ 1,957	\$ 303	\$ 1,833	\$ 1,921
Contributions in Relation to the Contractually Required Contribution	<u>(13,592)</u>	<u>(3,459)</u>	<u>(7,051)</u>	<u>(7,916)</u>	<u>(6,403)</u>	<u>(4,061)</u>	<u>(1,957)</u>	<u>(303)</u>	<u>(1,833)</u>	<u>(1,921)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
MPA Covered Payroll	\$ 731,293	\$ 617,129	\$ 639,429	\$ 326,000	\$ 283,126	\$ 212,314	\$ 309,686	\$ 277,276	\$ 243,449	\$ 251,243
OPEB Contributions as a Percentage of Covered Payroll (1)	1.86%	0.56%	1.10%	2.43%	2.26%	1.91%	0.63%	0.11%	0.75%	0.76%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of MPA Contributions - OPEB
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,770	\$ 8,904
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-	-	(11,770)	(8,904)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MPA Covered Payroll	\$ 2,182,007	\$ 1,676,657	\$ 1,506,443	\$ 1,447,114	\$ 1,483,671	\$ 1,325,621	\$ 1,273,593	\$ 1,202,914	\$ 1,176,969	\$ 890,423
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Note 1 - Net Pension Liability

Changes of benefit terms- SERS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019-2022.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018-2020.

Changes in assumptions- SERS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2021. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%. For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.00% to 2.40%, (b) assumed real wage growth was reduced from 0.0% to 0.85%, (c) Cost-of-Living-Adjustments was reduced from 2.50% to 2.00% (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality amount active members, service retirees and beneficiaries, and disabled members were updated (i) change in discount rate from 7.50% to 7.00%.

Changes in Benefit Terms – STRS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2022.

Changes in Assumptions – STRS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017 and 2019-2021. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. For fiscal year 2022, the following changes of assumptions affected

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

the total pension liability since the prior measurement date: (a) investment return assumption lowered from 7.45% to 7.00%, (b) discount rate of return reduced from 7.45% to 7.00%.

Note 2 - Net OPEB Liability

Changes in Benefit Terms – SERS

There were no changes in benefit terms from the amounts reported for fiscal years 2018-2022.

Changes in Assumptions – SERS

Amounts reported for fiscal years 2018-2022 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense,
including price inflation

Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Medicare Trend Assumption

Medicare

Fiscal year 2022	5.125 percent decreasing to 4.40 percent
Fiscal year 2020	5.25 percent decreasing to 4.75 percent
Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent

Pre – Medicare

Fiscal year 2022	6.75 percent decreasing to 4.40 percent
Fiscal year 2020	7.00 percent decreasing to 4.75 percent
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2020 and 2021, the health care cost trend rates were modified.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to 7.00 percent. The health care cost trend rates modified.

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984 per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

There were no benefit term changes from the amounts reported for fiscal year 2022.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Combining Statement of Net Position

	Menlo Park Academy 6/30/2022	West 53rd Holdings, LLC 12/31/2021	West 53rd Master Tenant, LLC 12/31/2021	TAE Manager, LLC 12/31/2021	Eliminations	Total
Assets:						
<i>Current Assets:</i>						
Cash and Cash Equivalents	\$ 224,454	\$ 5	\$ 27,789	\$ 3,355	\$ -	\$ 255,603
Restricted Cash	578,284	107,088	-	-	-	685,372
Investments in Related Entities	-	-	173,883	2,032,537	(2,206,420)	-
Accounts Receivable	785,983	50,848	113,914	-	(113,914)	836,831
Rent Receivable	-	265,302	672,103	-	(684,128)	253,277
Loans Receivable	6,074,000	-	1,898,564	-	(7,972,564)	-
Other Assets	79,566	3,465	-	-	-	83,031
Total Current Assets	7,742,287	426,708	2,886,253	2,035,892	(10,977,026)	2,114,114
<i>Noncurrent Assets:</i>						
Invested in Component Units	3,076,228	-	-	-	(3,076,228)	-
OPEB Asset	286,490	-	-	-	-	286,490
Land	-	415,756	-	-	-	415,756
Capital Assets, net of Accumulated Depreciation	306,447	14,052,915	-	-	-	14,359,362
Total Noncurrent Assets	3,669,165	14,468,671	-	-	(3,076,228)	15,061,608
Total Assets	11,411,452	14,895,379	2,886,253	2,035,892	(14,053,254)	17,175,722
Deferred Outflows of Resources	1,692,146	-	-	-	-	1,692,146
Liabilities:						
<i>Current Liabilities:</i>						
Accounts Payable	312,961	-	-	-	-	312,961
Accrued Wages and Benefits	230,271	-	-	-	-	230,271
Accrued Expenses	22,033	179,185	-	72,661	(113,914)	159,965
Current Portion of Long-Term Debt	302,357	64,782	-	-	-	367,139
Rent Payable	418,826	-	265,302	-	(684,128)	-
Total Current Liabilities	1,286,448	243,967	265,302	72,661	(798,042)	1,070,336
<i>Noncurrent Liabilities:</i>						
Net Pension and OPEB Liability	2,795,022	-	-	-	-	2,795,022
Noncurrent Portion of Long-term Debt	4,499,541	11,101,909	-	-	(7,993,879)	7,607,571
Total Noncurrent Liabilities	7,294,563	11,101,909	-	-	(7,993,879)	10,402,593
Total Liabilities	8,581,011	11,345,876	265,302	72,661	(8,791,921)	11,472,929
Deferred Inflows of Resources	2,492,816	-	-	-	-	2,492,816
Net Position/ Equity:						
Net Investment in Capital Assets	1,599,864	3,301,980	1,898,564	-	-	6,800,408
Unrestricted Net Position	429,907	247,523	722,387	1,963,231	(5,261,333)	(1,898,285)
Total Net Position	\$ 2,029,771	\$ 3,549,503	\$ 2,620,951	\$ 1,963,231	\$ (5,261,333)	\$ 4,902,123

See accompanying notes to the basic financial statements.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Combining Statement of Revenues, Expenses, and Changes in Net Position

	Menlo Park Academy 6/30/2022	West 53rd Holdings, LLC 12/31/2021	West 53rd Master Tenant, LLC 12/31/2021	TAE Manager, LLC 12/31/2021	Eliminations	Total
Operating Revenues:						
State Sources	\$ 4,297,655	\$ -	\$ -	\$ -	\$ -	\$ 4,297,655
Lease Income	-	795,906	877,433	-	(1,615,018)	58,321
Other Revenues	495,359	-	-	45,455	-	540,814
Total Operating Revenues	4,793,014	795,906	877,433	45,455	(1,615,018)	4,896,790
Operating Expenses:						
Salaries and Benefits	3,299,945	-	-	-	-	3,299,945
Rent	819,112	-	795,906	-	(1,615,018)	-
Purchased Services	1,591,828	19,360	13,467	10,667	-	1,635,322
Supplies	274,755	-	-	-	-	274,755
Depreciation and Amortization	127,874	487,312	-	-	-	615,186
Other Operating Expenses	109,977	60,000	-	-	-	169,977
Total Operating Expenses	6,223,491	566,672	809,373	10,667	(1,615,018)	5,995,185
Operating Income (Loss)	(1,430,477)	229,234	68,060	34,788	-	(1,098,395)
Non-Operating Revenues and Expenses:						
Donations and Contributions	56,325	-	-	-	-	56,325
Federal and Intergovernmental Revenues	1,571,962	-	-	-	-	1,571,962
Distributions	-	(113,667)	-	(82,000)	195,667	-
Equity in Net Loss from Investments	-	-	(29,112)	(261,048)	290,160	-
Interest Income	362,157	48	56,957	1	(419,114)	49
Interest Expense	(296,221)	(520,401)	-	-	464,126	(352,496)
Net Non-Operating Revenues and Expenses	1,694,223	(634,020)	27,845	(343,047)	530,839	1,275,840
Change in Net Position	263,746	(404,786)	95,905	(308,259)	530,839	177,445
Net Position, Beginning of Year	1,766,025	3,954,289	2,525,046	2,271,490	(5,792,172)	4,724,678
Net Position, End of Year	\$ 2,029,771	\$ 3,549,503	\$ 2,620,951	\$ 1,963,231	\$ (5,261,333)	\$ 4,902,123

See Accompanying Notes to the Basic Financial Statements

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Combining Statement of Cash Flows

	Menlo Park Academy 6/30/2022	West 53rd Holdings, LLC 12/31/2021	West 53rd Master Tenant, LLC 12/31/2021	TAE Manager, LLC 12/31/2021	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
State Aid Receipts	\$ 4,297,655	\$ -	\$ -	\$ -	\$ -	\$ 4,297,655
Lease Income	-	530,604	205,330	-	(735,934)	-
Other Operating Receipts	196,443	10,969	278,380	113,667	(206,648)	392,811
Cash Payments for Asset Management Fees	-	(60,000)	-	-	-	(60,000)
Cash Payments to Suppliers for Goods and Services	(2,204,131)	(19,123)	(544,271)	(10,667)	829,794	(1,948,398)
Cash Payments for Employee Services and Benefits	(3,554,761)	155,483	-	-	(153,109)	(3,552,387)
Net Cash Provided by (Used For) Operating Activities	<u>(1,264,794)</u>	<u>617,933</u>	<u>(60,561)</u>	<u>103,000</u>	<u>(265,897)</u>	<u>(870,319)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental Revenues	1,351,359	-	-	-	-	1,351,359
Cash Received from Donations and Contributions	56,325	-	-	-	-	56,325
Federal and State Restricted Grant Receipts	220,603	-	-	-	-	220,603
Net Cash Provided By Noncapital Financing Activities	<u>1,628,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,628,287</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Cash Payments for Capital Assets	(163,009)	-	-	-	-	(163,009)
Principal Payments Made on Loans	(284,988)	(60,812)	-	(21,000)	-	(366,800)
Cash Received from Interest Income	362,157	48	56,957	1	(419,114)	49
Cash Payments for Interest Expense	(301,906)	(520,401)	-	-	489,344	(332,963)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(387,746)</u>	<u>(581,165)</u>	<u>56,957</u>	<u>(20,999)</u>	<u>70,230</u>	<u>(862,723)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(24,253)	36,768	(3,604)	82,001	(195,667)	(104,755)
Cash and Cash Equivalents - Beginning of the Year	826,991	183,992	31,393	3,354	-	1,045,730
Cash and Cash Equivalents - End of the Year	<u>\$ 802,738</u>	<u>\$ 220,760</u>	<u>\$ 27,789</u>	<u>\$ 85,355</u>	<u>\$ -</u>	<u>\$ 940,975</u>

See accompanying notes to the basic financial statements.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Combining Statement of Cash Flows

	Menlo Park Academy 6/30/2022	West 53rd Holdings, LLC 12/31/2021	West 53rd Master Tenant, LLC 12/31/2021	TAE Manager, LLC 12/31/2021	Eliminations	Total
Reconciliation of Operating Income(Loss) to Net Cash Provided by (Used For) Operating Activities						
Operating Income (Loss)	\$ (1,430,477)	\$ 229,234	\$ 68,060	\$ 34,788	\$ -	\$ (1,098,395)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:						
Depreciation	127,874	487,312	-	-	-	615,186
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:						
(Increase)/Decrease in Receivables	221,206	(254,333)	(128,621)	113,667	(158,243)	(206,324)
(Increase)/ Decrease in Deferred Outflows	(153,043)	-	-	-	-	(153,043)
(Increase)/ Decrease in OPEB Asset	(67,110)	-	-	-	-	(67,110)
Increase/ (Decrease) in Deferred Inflows	1,865,913	-	-	-	-	1,865,913
Increase/ (Decrease) in Net Pension/OPEB Liability	(1,822,368)	-	-	-	-	(1,822,368)
(Increase)/Decrease in Other Assets	(77,163)	237	-	-	-	(76,926)
Increase/(Decrease) in Accounts Payable, Trade	148,582	-	-	-	-	148,582
Increase/(Decrease) in Accrued Expenses	(47,949)	155,483	-	(45,455)	(107,654)	(45,575)
Increase/(Decrease) in Accrued Wages & Benefits	(30,259)	-	-	-	-	(30,259)
Net Cash Provided by (Used For) Operating Activities	\$ (1,264,794)	\$ 617,933	\$ (60,561)	\$ 103,000	\$ (265,897)	\$ (870,319)

See Accompanying Notes to the Basic Financial Statements

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
Menlo Park Academy
3149 West 53rd Street
Cleveland, OH 44102

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 Menlo Park Academy, Cuyahoga County, Ohio (the “Academy”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated February 27, 2023. The financial statements of West 53rd Holdings, LLC, TAE Manager, LLC, and West 53rd Master Tenant, LLC were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with West 53rd Holdings, LLC, TAE Manager, LLC, and West 53rd Master Tenant, LLC

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy’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 Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

Academy's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rea & Associates, Inc.
Medina, Ohio
February 27, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Menlo Park Academy
3149 West 53rd Street
Cleveland, OH 44102

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Menlo Park Academy's, Cuyahoga County, Ohio ("the Academy"), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2022. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Academy's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material

weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
February 27, 2023

**MENLO PARK ACADEMY
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Grant Year	Expenses	Total Provided to Subrecipients
U. S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Title I	84.010A	2022	\$ 95,369	\$ -
Total Title I			95,369	-
<i>Special Education Cluster:</i>				
IDEA Part B	84.027A	2022	87,583	-
Total Special Education Cluster			87,583	-
COVID-19 Education Stabilization Fund	84.425D	2022	413,509	-
COVID-19 ARP-Education Stabilization Fund	84.425U	2022	457,371	-
Total Education Stabilization Fund			870,880	-
Title II-A Improving Teacher Quality	84.367A	2022	17,542	-
<i>Total U.S. Department of Education</i>			1,071,374	-
U. S. Department of Agriculture				
<i>Passed Through the Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Cash Assistance:</i>				
School Breakfast Program	10.553	2022	11,640	-
National School Lunch Program	10.555	2022	70,146	-
Total Child Nutrition Cluster			81,786	-
<i>Total U.S. Department of Agriculture</i>			81,786	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,153,160	\$ -

The accompanying notes are an integral part of this schedule.

**MENLO PARK ACADEMY
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 2 CFR 200.510(B)(6)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Menlo Park Academy, Cuyahoga County, Ohio (the Academy) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Academy has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE C - TRANSFERS

The Academy generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, an Academy can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the Academy a total of 27 months to spend the assistance. During fiscal year 2022, the ODE authorized the following transfers:

<u>CFDA Number / Grant Title</u>	<u>Grant Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
84.010A Title I	2021	\$ 17,349	
84.010A Title I	2022		\$ 17,349
84.367A Title II-A Improving Teacher Quality	2021	467	
84.367A Title II-A Improving Teacher Quality	2022		467
84.173A IDEA Early Childhood Special Education	2021	1,103	
84.173A IDEA Early Childhood Special Education	2022		1,103
84.027A IDEA Part B	2021	533	
84.027A IDEA Part B	2022		533
84.424A Title IV-A Student Support and Academic Enrichment	2021	10,035	
84.424A Title IV-A Student Support and Academic Enrichment	2022		10,035
		<u>\$ 29,487</u>	<u>\$ 29,487</u>

NOTE D - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State Grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

**MENLO PARK ACADEMY
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 2 CFR §200.515
 JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None Reported
(d) (1) (iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	None Reported
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d) (1) (vii)	Major Programs (list): COVID-19 Education Stabilization Fund/COVID-19 ARP-Education Stabilization Fund	AL # 84.425D/84.425U
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee under 2 CFR §200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding Number 2022-001
 Material Non-Compliance – Issuance of 1099's**

26 CFR § 1.6041-1(a)(1)(i)(A), states, in part, that except as otherwise provided in §§ 1.6041-3 and 1.6041-4, every person engaged in a trade or business shall make an information return for each calendar year with respect to payments it makes during the calendar year in the course of its trade or business to another person of fixed or determinable income

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
2 CFR §200.515
JUNE 30, 2022**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

described in paragraph (a)(1)(i) (A) or (B) of this section. For purposes of the regulations under this section, the person described in this paragraph (a)(1)(i) is a payor. Payments are to be reported for salaries, wages, commissions, fees, and other forms of compensation for services rendered aggregating \$600 or more.

The Academy paid seven independent contractors a total of \$53,337 whom exceeded the \$600 threshold during calendar year 2021, but did not issue a 1099 as required by the above section of code. Failure to issue 1099's as required could result in the recipient not properly reporting income that should be taxed.

The Academy should implement procedures to monitor independent contractors that are compensated more than \$600 per calendar year and issue 1099's to provide for proper tax reporting.

Official's Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None were noted.



Menlo Park Academy

Developing the Potential of Gifted Children

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) June 30, 2022

Finding Number:	2022-001
Planned Corrective Action:	The Academy has engaged a new Fiscal Officer at the beginning of Fiscal Year 2023 and has implemented procedures to ensure timely filing of all calendar year 1099's required to be issued to vendors exceeding the \$600 threshold.
Anticipated Completion Date:	February 28, 2023
Responsible Contact Person:	Dave Massa, Treasurer/CFO

OHIO AUDITOR OF STATE KEITH FABER



MENLO PARK ACADEMY

CUYAHOGA 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 4/11/2023

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