

MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021



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, 2020 through June 30, 2021. 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 black ink that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

December 06, 2021

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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 Financial Statements

We have audited the accompanying financial statements of the Menlo Park Academy, Cuyahoga County, Ohio, (the "Academy") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of TAE Manager, LLC; West 53rd Holdings, LLC; and West 53rd Master Tenant LLC, which represent 89 percent, 63 percent, and 3 percent, respectively, of the assets, net position, and revenues of the Academy's financial statements. Those statements were audited by other auditors whose report was been furnished to us, and our opinion, in so far as it relates to TAE Manager, LLC; West 53rd Holdings, LLC; and West 53rd Master Tenant LLC is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the 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, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 combining statements and *The Schedule of Expenditures of Federal Awards*, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The *Schedule of Expenditures of Federal Awards* 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. Such 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 auditing standards generally accepted in the United States of America. 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2021 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
November 24, 2021

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021 and December 31, 2020, 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 2020-21 Academy year are as follows:

- Total Assets and Deferred Outflows of Resources increased \$128,915 as a result of increases in accruals related to GASB 68/75 and restricted cash offset by decreases in capital assets and cash from operations.
- Total Liabilities and Deferred Inflows of Resources increased \$191,779 from increases in pension/OPEB accruals from GASB 68/75 and accrued expenses offset by decreases in long-term debt due from scheduled principal payments.
- Total Net Position decreased \$62,864.
- Total Operating and Non-Operating Revenues were \$6,295,702. Total Operating and Non-Operating Expenses were \$6,358,566.
- The Academy was granted a waiver by SBA in the amount of \$541,600 for the PPP loan.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the Academy did financially during fiscal year 2021. 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, 2021

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 2021. 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 2021 compared to fiscal year 2020.

Table 1
Statement of Net Position

	2021	2020
Assets		
Current Assets	\$ 1,935,619	\$ 1,873,826
Noncurrent Assets	219,380	204,148
Capital Assets, Net	15,227,295	15,650,834
Total Assets	<u>17,382,294</u>	<u>17,728,808</u>
Deferred Outflows of Resources	<u>1,539,103</u>	<u>1,063,674</u>
Liabilities		
Current Liabilities	976,249	1,073,196
NonCurrent Liabilities	12,593,567	12,239,779
Total Liabilities	<u>13,569,816</u>	<u>13,312,975</u>
Deferred Inflows of Resources	<u>626,903</u>	<u>691,965</u>
Net Position		
Net Investment in Capital Assets	6,905,318	6,926,282
Unrestricted	(2,180,640)	(2,138,740)
Total Net Position	<u>\$ 4,724,678</u>	<u>\$ 4,787,542</u>

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021**

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.

There was a significant change in net pension/OPEB liability/asset for the school. 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.

The increase in current assets is due to increases in receivables related to additional COVID-19 funding spent but not reimbursed by year end offset by decreases in cash from operations and restricted cash from scheduled principal payments to long term debt. Capital assets decreased due to depreciation expense exceeding capital asset purchases during the fiscal year.

The decrease in current liabilities is due to reductions in accounts payable and current portion of long term debt offset by increases in accrued wages and benefits and accrued expenses. Non-current liabilities increased primarily from the increase in the net pension/OPEB liabilities, offset by decreases in long term debt due to scheduled payments on long-term debt, and the debt forgiveness of the PPP loan.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Statement of Revenues, Expenses and Change in Net Position - Table 2 shows the change in Net Position for fiscal years 2021 and 2020 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**

	2021	2020
Operating Revenues		
State Aid	\$ 3,992,841	\$ 4,028,096
Lease Income	74,383	90,129
Classroom Materials and Fees	285,136	297,003
Charges for Services	103,479	103,822
Miscellaneous	85,116	55,822
Total Operating Revenues	4,540,955	4,574,872
Operating Expenses		
Salaries	2,480,662	2,233,441
Fringe Benefits	1,102,356	926,193
Purchased Services	1,241,080	1,159,347
Supplies	292,269	161,851
Depreciation	570,163	536,125
Other	265,433	413,206
Total Operating Expenses	5,951,963	5,430,163
Operating Income (Loss)	(1,411,008)	(855,291)
Non-Operating Revenues (Expenses)		
Debt Forgiveness	541,600	-
Federal and State Grants	992,672	332,660
Contributions and Donations	-	1,600,924
Intergovernmental Revenue	153,634	127,186
Equity in Net Loss from Investments	-	141,512
Interest Income	66,841	443
Interest Expense	(406,603)	(430,669)
Total Net Non-Operating Revenues (Expenses)	1,348,144	1,772,056
Change in Net Position	\$ (62,864)	\$ 916,765

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Operating Revenues decreased from the prior year due to a state mandated decrease in per pupil funding due to COVID-19. 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 the debt forgiveness by the SBA and the Bank for the PPP loan, offset by decreases in contributions and donations to a component unit for capital asset related items from the prior year. Operating expenses increased due to changes in accruals related to GASB 68/75 in addition to annual increases in salaries for employees.

CAPITAL ASSETS

At fiscal year end, the Academy's net capital asset balance was \$15,227,295. This balance represents current year additions of \$146,387 offset by current year depreciation of \$570,163. 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 year, \$444,334 worth of principal payments were made on these loans and \$345,800 of the total debt was considered to be current. In addition, \$541,600 worth of the Payroll Protection Program loan was forgiven by the SBA and the Bank. 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 2021, the State decreased the base per pupil funding to \$5,980, which is down from \$6,020 in the previous year. This decrease was attributable to the impacts of COVID-19 (See Note 14). 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, 2021 was 564 compared to a figure of 561 at the end of fiscal year 2020.

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, Jeffrey Zaye, CPA, of Whalen & Company, LLC, 2149 West 53rd Street, Cleveland, OH 44102.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Statement of Net Position
June 30, 2021

Assets:

Current Assets:

Cash and Cash Equivalents	\$	289,402
Restricted Cash		756,328
Accounts Receivable		883,784
Other Assets		6,105
Total Current Assets		1,935,619

Noncurrent Assets:

Net OPEB Asset		219,380
Non Depreciable Capital Assets		415,756
Capital Assets, net of Accumulated Depreciation		14,811,539
Total Non-Current Assets		15,446,675

Total Assets 17,382,294

Deferred Outflows of Resources:

Pension (STRS & SERS)		1,142,312
OPEB (STRS & SERS)		396,791
Total Deferred Outflows of Resources		1,539,103

Liabilities:

Current Liabilities:

Accounts Payable		164,379
Accrued Wages and Benefits		260,530
Accrued Expenses		205,540
Current Portion of Long-Term Debt		345,800
Total Current Liabilities		976,249

Noncurrent Liabilities:

Non-Current Portion of Long-Term Debt		7,976,177
Net Pension Liability		4,226,712
Net OPEB Liability		390,678
Total Noncurrent Liabilities		12,593,567

Total Liabilities 13,569,816

Deferred Inflows of Resources

Pension (STRS & SERS)		145,891
OPEB (STRS & SERS)		481,012
Total Deferred Inflows of Resources		626,903

Net Position:

Net Investment in Capital Assets		6,905,318
Unrestricted Net Position		(2,180,640)
Total Net Position		\$ 4,724,678

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, 2021

Operating Revenues:	
State Aid	\$ 3,992,841
Lease Income	74,383
Classroom Materials and Fees	285,136
Charges for Services	103,479
Miscellaneous	85,116
Total Operating Revenues	<u>4,540,955</u>
Operating Expenses:	
Salaries	2,480,662
Fringe Benefits	1,102,356
Purchased Services	1,241,080
Depreciation	570,163
Supplies	292,269
Other Operating Expenses	265,433
Total Operating Expenses	<u>5,951,963</u>
Operating Income (Loss)	(1,411,008)
Non-Operating Revenues and (Expenses):	
Federal and State Restricted Grants	992,672
Intergovernmental Revenue	153,634
Debt Forgiveness	541,600
Interest Income	66,841
Interest Expense	(406,603)
Net Non-operating Revenues and (Expenses)	<u>1,348,144</u>
Change in Net Position	(62,864)
Net Position - Beginning of Year	<u>4,787,542</u>
Net Position - End of Year	<u><u>\$ 4,724,678</u></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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
State Aid Receipts	\$ 3,992,841
Lease Income	74,383
Other Operating Receipts	473,731
Cash Payments for Asset Management Fees	(60,000)
Cash Payments to Employees for Services	(2,480,662)
Cash Payments for Employee Benefits	(581,598)
Cash Payments to Suppliers for Goods and Services	(1,660,183)
Net Cash Provided By (Used For) Operating Activities	<u>(241,488)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State Grant Receipts	681,561
Intergovernmental Revenue	153,634
Net Cash Provided By Noncapital Financing Activities	<u>835,195</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Purchase of Capital Assets	(146,387)
Interest Income	66,841
Principal Payments Made on Loans	(444,334)
Interest Expense	(448,599)
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(972,479)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(378,772)
Cash and Cash Equivalents - Beginning of the Year	1,424,502
Cash and Cash Equivalents - Ending of the Year	\$ <u>1,045,730</u>

Non-Cash Transaction:

During the fiscal year \$541,600 worth of Payroll Protection Program Loans were forgiven by the U.S. Small Business Administration.

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, 2021
(Continued)

Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (1,411,008)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Depreciation	570,163
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
(Increase)/ Decrease in Net OPEB Asset	(15,232)
(Increase)/ Decrease in Deferred Outflows of Resources	(475,429)
(Increase)/ Decrease in Accounts Receivable	(43,770)
Increase/ (Decrease) in Net Pension/OPEB Liability	1,076,481
Increase/(Decrease) in Accounts Payable, Trade	(8,277)
Increase/(Decrease) in Accrued Expenses	104,447
Increase/(Decrease) in Accrued Wages and Benefits	28,365
(Increase)/ Decrease in Other Assets	(2,166)
Increase/ (Decrease) in Deferred Inflows of Resources	(65,062)
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ (241,488)</u></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, 2021**

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. 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. Total payments to the Sponsor during 2021 were \$95,957.

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.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 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, all 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, 2021 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.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Capital Assets and Depreciation - 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. 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 \$15,227,295, as of June 30, 2021, 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 \$3,992,841 this fiscal year from the Foundation Program and \$992,672 from Federal and State grants and \$153,634 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, 2021**

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 \$976,249 at June 30, 2021. \$196,370 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 position 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, 2021**

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 position 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, 2021 was \$1,663. \$756,328 of the Academy's book balance at June 30, 2021 was classified as "Restricted Cash" on the Statement of Net Position for capital improvement obligations.

At June 30, 2021, the book amount and bank balance of the Academy and its component units was as follows:

	Book	Bank Balance
<u>School</u>		
<i>Huntington</i>	\$ 245,400	\$ 294,924
<i>PNC Bank</i>	<u>580,128</u>	<u>580,128</u>
	825,528	875,052
<u>Component Units</u>		
<i>PNC Bank</i>	<u>218,539</u>	<u>218,539</u>
Total	<u>\$ 1,044,067</u>	<u>\$ 1,093,591</u>

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021, \$375,052 of the bank balance was exposed to custodial credit risk.

NOTE 4 - RECEIVABLES

The Academy and its component units had an accounts receivables totaling \$883,784 at June 30, 2021 which related to remaining monies due to the Academy as of June 30, 2021, but not received as of year-end, including \$3,019 due from the State of Ohio as a result of an FTE reconciliation for fiscal year 2021 (See Note 10).

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 is 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, 2021, capital assets consisted of the following:

	Balance 06/30/20	Additions	Deletions	Balance 06/30/21
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	255,403	98,425	-	353,828
Leasehold Improvements	82,714	47,962	-	130,676
Total Capital Assets	17,263,560	146,387	-	17,409,947
Less Accumulated Depreciation:				
Building	(995,082)	(449,436)	-	(1,444,518)
Site Improvements	(79,539)	(3,194)	-	(82,733)
Furniture, Fixtures, and Equipment	(228,286)	(54,961)	-	(283,247)
Computers & Software	(226,868)	(61,342)	-	(288,210)
Leasehold Improvements	(82,714)	(1,230)	-	(83,944)
Total Accumulated Depreciation	(1,612,489)	(570,163)	-	(2,182,652)
Total Capital Assets, Net	\$ 15,651,071	\$ (423,776)	\$ -	\$ 15,227,295

During fiscal year 2021, 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, 2021**

NOTE 6 – LOANS PAYABLE and LONG-TERM OBLIGATIONS

The changes in the Academy’s long-term obligations during fiscal year 2021 were as follows:

	Balance 6/30/2020	Additions	Reductions	Balance 6/30/2021	Due within One Year
Post Employment Liability:					
Net Pension Liability:	\$ 3,294,382	\$ 932,330	\$ -	\$ 4,226,712	\$ -
Net OPEB Liability	246,527	144,151	-	390,678	-
Total Post Employment Liability	<u>3,540,909</u>	<u>1,076,481</u>	<u>-</u>	<u>4,617,390</u>	<u>-</u>
TRF Leverage Loan A	5,355,828	-	(268,942)	5,086,886	284,988
CNMIF II (U), LLC	3,426,000	-	-	3,426,000	-
Component Unit	110,400	-	(89,400)	21,000	-
IFF	234,026	-	(57,085)	176,941	60,812
Advance Cleveland Development	28,907	-	(28,907)	-	-
Unamortized Debt Issuance Costs	(430,609)	-	41,759	(388,850)	-
PPP Loans	541,600	-	(541,600)	-	-
Total Loan Liabilities	<u>9,266,152</u>	<u>-</u>	<u>(944,175)</u>	<u>8,321,977</u>	<u>345,800</u>
Total Long-Term Obligations	<u>\$ 12,807,061</u>	<u>\$ 1,076,481</u>	<u>\$ (944,175)</u>	<u>\$ 12,939,367</u>	<u>\$ 345,800</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 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, 2021**

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, 2021, 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 \$57,085.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 lender's 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.

Advance Cleveland Development Fund, LLC

On October 28, 2016, West 53rd Holdings entered into a Bridge loan agreement with Advance Cleveland Development Fund, LLC for a maximum amount of \$3,100,000. The Bridge loan accrues interest at a rate of 6% per annum. Pursuant to the Bridge Loan Agreement, interest-only payments on the Bridge Loan are due quarterly in arrears on the last day of each March, June, September, and December commencing on December 31, 2016 through September 30, 2018. Principal payments are due on the earlier of (i) October 28, 2018 (the "Bridge Loan Maturity Date"); (ii) within two business days after the Lessor receives a capital contribution from Foss or the Lessee, in the amount of such capital contributions; (iii) within two business days after the Lessor receives an advance of loan proceeds from the Lessee pursuant to a certain promissory note, in the amount of such advance; and (iv) on December 1, 2017, to the extent the Lessor has not received additional State HTCs but solely from funds on deposit in the Collateral Account, as defined in the Bridge Loan Agreement. All outstanding principal and any accrued and unpaid interest is due on the Bridge Loan Maturity Date. As of December 31, 2020, \$28,907 worth of principal payments were made and this loan has been paid off in full.

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, 2020, amortization of debt issuance costs for all notes payable was \$188,206. The unamortized balance at year end was \$388,850.

Component Unit

At year end, there was \$21,000 of debt due to other component units. This amount represented debt payments made between the School and component units during the period of January through June 2021 that were not able to be eliminated as an intra-company transaction in the consolidated statement due to the School and component units having different fiscal year ends.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Year	TRF Leverage Loan A		CNMIF II, LLC		IFF		Comp. Unit
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2022	\$ 284,988	\$ 295,783	\$ -	\$ 130,568	\$ 60,812	\$ 9,845	\$ -
2023	302,357	278,414	-	130,568	64,782	5,875	21,000
2024	4,499,541	88,246	96,671	129,198	51,347	1,645	-
2025	-	-	100,408	125,460	-	-	-
2026	-	-	104,290	565,987	-	-	-
2027-2031	-	-	585,135	448,341	-	-	-
2032-2036	-	-	707,327	306,127	-	-	-
2037-2041	-	-	855,039	134,215	-	-	-
2042-2046	-	-	977,130	3,177	-	-	-
Total Payments	<u>\$ 5,086,886</u>	<u>\$ 662,443</u>	<u>\$ 3,426,000</u>	<u>\$ 1,973,641</u>	<u>\$ 176,941</u>	<u>\$ 17,365</u>	<u>\$ 21,000</u>

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed on March 27, 2020 in response to COVID-19. The Paycheck Protection Program (PPP) was formed as part of the CARES Act. The PPP allows certain companies to apply for aid through forgivable loans. The Academy entered into a note payable agreement with a bank under PPP. The unsecured note had a principal amount of \$541,600 and was forgiven by the Bank and the U.S. Small Business Administration during the fiscal year.

NOTE 7 - RISK MANAGEMENT

Property & Liability – The Academy 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 2021, the Academy 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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 PLANS

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/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 net pension/OPEB liability (asset) represents the Academy'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/OPEB liability (asset) 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 Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 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 (assets) 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy non-teaching employees participate in SERS, a statewide, 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. 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 before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 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 year of service; 2.2 percent for the first 30 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. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy 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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The Academy’s contractually required contribution to SERS was \$86,398 for fiscal year 2021.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Academy 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. 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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through 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. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all 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 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 as one defined benefit plan for GASB 68 reporting purposes.

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 must have at least ten years of qualifying service credit to 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.

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, 2021, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The Academy’s contractually required contribution to STRS was \$234,732 for fiscal year 2021.

Net Pension Liability/Pension Expense/Deferred Outflows/Inflows of Resources Related to Pension

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The Academy’s proportion of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. 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	0.0095028%	0.01232596%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.0182393%</u>	<u>0.01248253%</u>	
Change in Proportionate Share	<u>0.0087365%</u>	<u>0.00015657%</u>	
Proportionate Share of the Net Pension			
Liability	\$ 1,206,385	\$ 3,020,327	\$ 4,226,712
Pension Expense	\$ 389,427	\$ 417,891	\$ 807,318

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 Academy'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.

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MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

At June 30, 2021 the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 2,344	\$ 6,777	\$ 9,121
Changes of assumptions	-	162,134	162,134
Net difference between projected and actual earnings on pension plan investments	76,582	146,879	223,461
Changes in proportion and differences between contributions and proportionate share of contributions	328,554	97,912	426,466
Academy contributions subsequent to the measurement date	<u>86,398</u>	<u>234,732</u>	<u>321,130</u>
Total Deferred Outflows of Resources	<u>\$ 493,878</u>	<u>\$ 648,434</u>	<u>\$ 1,142,312</u>

Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 19,311	\$ 19,311
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>-</u>	<u>126,580</u>	<u>126,580</u>
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 145,891</u>	<u>\$ 145,891</u>

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

\$321,130 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. 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:	SERS	STRS	Total
2022	\$ 210,920	\$ 70,927	\$ 281,847
2023	140,661	62,784	203,445
2024	55,899	61,409	117,308
2025	-	72,691	72,691
		-	-
		-	-
Total	\$ 407,480	\$ 267,811	\$ 675,291

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 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. Future benefits for all current plan members were projected through 2130.

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.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the investments has been determined by 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 an arithmetic weighted average 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 asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 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 investments was applied to all periods of projected benefits to determine the total pension liability.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Sensitivity of the Academy'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 Academy's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Academy's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	\$ 1,652,601	\$ 1,206,385	\$ 832,003

Changes since measurement date:

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of SERS, including the fair value of SERS' investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on SERS' future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

At its September meeting 2020, the Board unanimously voted to approve a 0.5% cost-of-living adjustment (COLA) increase for eligible retirees and beneficiaries in 2021. Previously, COLAs were suspended from 2018 through 2020 Actuarial Assumptions – STRS.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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.

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 Real 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 %	

*Ten-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 actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. 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, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the Academy's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net pension liability	\$ 4,300,421	\$ 3,020,327	\$ 1,935,556

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 9 - DEFINED BENEFIT OPEB PLANS

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Academy 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 Comprehensive Annual 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 the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional 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 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 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. For fiscal year 2021, the Academy's surcharge obligation was \$3,459.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Plan Description - State Teachers Retirement System (STRS)

Plan Description – 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 premium reimbursements will be discontinued effective January 1, 2021. 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, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)/OPEB Expense/Deferred Outflows/Inflows of Resources Related to Pension

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Academy’s proportion of the net OPEB liability (asset) was based on the Academy’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	0.0098031%	0.01232596%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	<u>0.0179760%</u>	<u>0.01248253%</u>	
Change in Proportionate Share	<u>0.0081729%</u>	<u>0.00015657%</u>	
Proportionate Share of the Net OPEB			
Liability/(asset)	\$ 390,678	\$ (219,380)	\$ 171,298
OPEB Expense	\$ 51,453	\$ (13,424)	\$ 38,029

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 5,130	\$ 14,056	\$ 19,186
Changes of assumptions	66,597	3,622	70,219
Net difference between projected and actual earnings on OPEB plan investments	4,399	7,689	12,088
Changes in proportion and differences between contributions and proportionate share of contributions	268,027	23,812	291,839
Academy contributions subsequent to the measurement date	<u>3,459</u>	<u>-</u>	<u>3,459</u>
Total Deferred Outflows of Resources	<u>\$ 347,612</u>	<u>\$ 49,179</u>	<u>\$ 396,791</u>

Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 198,686	\$ 43,696	\$ 242,382
Changes of assumptions	9,839	208,371	218,210
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>-</u>	<u>20,420</u>	<u>20,420</u>
Total Deferred Inflows of Resources	<u>\$ 208,525</u>	<u>\$ 272,487</u>	<u>\$ 481,012</u>

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

\$3,459 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ 27,312	\$ (57,033)	\$ (29,721)
2023	27,631	(51,826)	(24,195)
2024	27,578	(50,001)	(22,423)
2025	21,535	(43,219)	(21,684)
2026	20,035	(10,666)	9,369
Thereafter	11,537	(10,563)	974
Total	\$ 135,628	\$ (223,308)	\$ (87,680)

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.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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 2010 through 2015, and was adopted by the Board on April 21, 2016. 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 (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 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 time frame. 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.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered 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 during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as 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 by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

Sensitivity of the Academy'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 and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Academy's proportionate share of the net OPEB liability	\$ 478,179	\$ 390,678	\$ 321,113
	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
Academy's proportionate share of the net OPEB liability	\$ 307,629	\$ 390,678	\$ 501,735

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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

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.

The actuarial assumptions used in the June 30, 2020 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected 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>	

*Ten-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 actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those 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 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2020, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
Academy's proportionate share of the net OPEB asset	\$ 190,875	\$ 219,380	\$ 243,566

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Academy's proportionate share of the net OPEB asset	\$ 242,065	\$ 219,380	\$ 191,747

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

Full-Time Equivalency - Academy foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community Academics must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by Academics throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the Academy for fiscal year 2021.

As of the date of this report, all ODE adjustments for fiscal year 2021 have been completed.

In addition, the Academy's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, all ODE FTE adjustments for fiscal year 2021 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 11 - PURCHASED SERVICES

For the period of July 1, 2020 through June 30, 2021, the Academy made the following purchased services commitments.

<u>Purchased Services</u>	<u>Amount</u>
Professional Services	\$ 556,398
Property Services	253,701
Utilities	108,534
Travel & Meetings	4,577
Communications	115,117
Contractual Trade	202,753
Total	<u>\$ 1,241,080</u>

NOTE 12 - LEASE OBLIGATIONS

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").

Rent expense for 2021 totaled \$803,050.

Future minimum lease payments are as follows:

	<u>Amount</u>
FY2022	\$ 811,011
FY2023	827,222
FY2024	843,766
FY2025	860,641
FY2026	877,854
FY27-FY31	4,659,754
FY2032	988,606
Total	<u>\$ 9,868,854</u>

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 13 - IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2021, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB Statement No. 90, *Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61*, and certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Academy.

GASB Statement No. 90 improves consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Academy.

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 certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the Academy.

NOTE 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the Academy received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidation Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

NOTE 15 – SUBSEQUENT EVENTS

For fiscal year 2022, community school foundation funding received from the state of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. For fiscal year 2021, the Academy reported \$3,992,841 in revenue related to these programs. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.0182393%	0.0095028%	0.0084027%	0.0067112%	0.0061120%	0.0092101%	0.008302%	0.008302%
Academy's Proportionate Share of the Net Pension Liability	\$ 1,206,385	\$ 568,569	\$ 481,238	\$ 400,979	\$ 447,357	\$ 525,537	\$ 420,159	\$ 493,693
Academy's Covered Payroll	\$ 639,429	\$ 326,000	\$ 283,126	\$ 212,314	\$ 309,686	\$ 277,276	\$ 243,449	\$ 251,243
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	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	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 Academy'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 Academy's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.01248253%	0.01232596%	0.00130510%	0.01205793%	0.01279692%	0.01152955%	0.01069663%	0.01069663%
Academy's Proportionate Share of the Net Pension Liability	\$ 3,020,327	\$ 2,725,813	\$ 2,869,628	\$ 2,864,387	\$ 4,283,515	\$ 3,186,430	\$ 2,601,791	\$ 3,099,236
Academy's Covered Payroll	\$ 1,506,443	\$ 1,447,114	\$ 1,483,671	\$ 1,325,621	\$ 1,273,593	\$ 1,202,914	\$ 1,176,969	\$ 890,423
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	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	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 Academy'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 Academy Contributions - Pension
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 86,398	\$ 89,520	\$ 44,010	\$ 38,222	\$ 29,724	\$ 43,356	\$ 36,545	\$ 33,742	\$ 34,772	\$ 23,097
Contributions in Relation to the Contractually Required Contribution	<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>	<u>(23,097)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy Covered Payroll	\$ 617,129	\$ 639,429	\$ 326,000	\$ 283,126	\$ 212,314	\$ 309,686	\$ 277,276	\$ 243,449	\$ 251,243	\$ 171,725
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 234,732	\$ 210,902	\$ 202,596	\$ 207,714	\$ 185,587	\$ 178,303	\$ 168,408	\$ 153,006	\$ 115,755	\$ 92,691
Contributions in Relation to the Contractually Required Contribution	<u>(234,732)</u>	<u>(210,902)</u>	<u>(202,596)</u>	<u>(207,714)</u>	<u>(185,587)</u>	<u>(178,303)</u>	<u>(168,408)</u>	<u>(153,006)</u>	<u>(115,755)</u>	<u>(92,691)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy 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	\$ 713,008
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's Proportion of the Net OPEB Liability	0.0179760%	0.0098031%	0.0086012%	0.0062458%	0.0059486%
Academy's Proportionate Share of the Net OPEB Liability	\$ 390,678	\$ 246,527	\$ 238,621	\$ 167,621	\$ 169,557
Academy's Covered Payroll	\$ 639,429	\$ 326,000	\$ 283,126	\$ 212,314	\$ 309,686
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	61.10%	75.62%	84.28%	78.95%	54.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 Academy'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 Academy's Proportionate Share of the Net OPEB Asset/Liability
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's Proportion of the Net OPEB Liability/Asset	0.01248253%	0.01232596%	0.01305103%	0.01205793%	0.01279692%
Academy's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (219,380)	\$ (204,148)	\$ (209,717)	\$ 470,456	\$ 684,383
Academy's Covered Payroll	\$ 1,506,443	\$ 1,447,114	\$ 1,483,671	\$ 1,325,621	\$ 1,273,593
Academy's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.56%	-14.11%	-14.14%	35.49%	53.74%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	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 Academy'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 Academy Contributions - OPEB
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution (1)	\$ 3,459	\$ 7,051	\$ 7,916	\$ 6,403	\$ 4,061	\$ 1,957	\$ 303	\$ 1,833	\$ 1,921	\$ 2,491
Contributions in Relation to the Contractually Required Contribution	(3,459)	(7,051)	(7,916)	(6,403)	(4,061)	(1,957)	(303)	(1,833)	(1,921)	(2,491)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Academy Covered Payroll	\$ 617,129	\$ 639,429	\$ 326,000	\$ 283,126	\$ 212,314	\$ 309,686	\$ 277,276	\$ 243,449	\$ 251,243	\$ 171,725
OPEB Contributions as a Percentage of Covered Payroll (1)	0.56%	1.10%	2.43%	2.26%	1.91%	0.63%	0.11%	0.75%	0.76%	1.45%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,770	\$ 8,904	\$ 7,130
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-	(11,770)	(8,904)	(7,130)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy 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	\$ 713,008
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	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, 2021*

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- 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.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - SERS

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent 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, 2019 and 2021.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021*

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

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 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

Pre-Medicare

Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in Assumptions – STRS

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

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 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021*

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale 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.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Benefit Terms – STRS

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.

For fiscal year 2020, there was no change to the claims costs process. Claim 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 percent to 1.984 percent 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 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021

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 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 2019. This was subsequently extended, see above paragraph.

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

	Menlo Park Academy	West 53rd Holdings, LLC	West 53rd Master Tenant, LLC	TAE Manager, LLC	Eliminations	Total
Assets:	6/30/2021	12/31/2020	12/31/2020	12/31/2020		
Current Assets:						
Cash and Cash Equivalents	\$ 237,703	\$ 16,952	\$ 31,393	\$ 3,354	\$ -	\$ 289,402
Restricted Cash	589,288	167,040	-	-	-	756,328
Investments in Related Entities	-	-	202,995	2,407,252	(2,610,247)	-
Accounts Receivable	527,241	21,206	392,294	-	(56,957)	883,784
Loans Receivable	6,074,000	-	1,898,564	-	(7,972,564)	-
Other Assets	2,403	3,702	-	-	-	6,105
Total Current Assets	7,430,635	208,900	2,525,246	2,410,606	(10,639,768)	1,935,619
Noncurrent Assets:						
Invested in Component Units	3,131,228	-	-	-	(3,131,228)	-
OPEB Asset	219,380	-	-	-	-	219,380
Land	-	415,756	-	-	-	415,756
Capital Assets, net of Accumulated Depreciation	271,549 3,622,157	14,539,990 14,955,746	- -	- -	- (3,131,228)	14,811,539 15,446,675
Total Assets	11,052,792	15,164,646	2,525,246	2,410,606	(13,770,996)	17,382,294
Deferred Outflows of Resources	1,539,103	-	-	-	-	1,539,103
Liabilities:						
Current Liabilities:						
Accounts Payable	164,379	-	-	-	-	164,379
Accrued Wages and Benefits	260,530	-	-	-	-	260,530
Accrued Expenses	69,982	23,702	-	118,116	(6,260)	205,540
Current Portion of Long-Term Debt	284,988	60,812	-	-	-	345,800
Total Current Liabilities	779,879	84,514	-	118,116	(6,260)	976,249
Noncurrent Liabilities:						
Net Pension and OPEB Liability	4,617,390	-	-	-	-	4,617,390
Noncurrent Portion of Long-term Debt	4,801,898	11,125,843	-	21,000	(7,972,564)	7,976,177
Total Noncurrent Liabilities	9,419,288	11,125,843	-	21,000	(7,972,564)	12,593,567
Total Liabilities	10,199,167	11,210,357	-	139,116	(7,978,824)	13,569,816
Deferred Inflows of Resources	626,903	-	-	-	-	626,903
Net Position/ Equity:						
Net Investment in Capital Assets	1,237,663	3,769,091	1,898,564	-	-	6,905,318
Unrestricted Net Position	528,162	185,198	626,682	2,271,490	(5,792,172)	(2,180,640)
Total Net Position	\$ 1,765,825	\$ 3,954,289	\$ 2,525,246	\$ 2,271,490	\$ (5,792,172)	\$ 4,724,678

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 6/30/2021	West 53rd Holdings, LLC 12/31/2020	West 53rd Master Tenant, LLC 12/31/2020	TAE Manager, LLC 12/31/2020	Eliminations	Total
Operating Revenues:						
State Sources	\$ 3,992,841	\$ -	\$ -	\$ -	\$ -	\$ 3,992,841
Lease Income	-	780,300	877,433	-	(1,583,350)	74,383
Other Revenues	427,423	22,912	-	23,396	-	473,731
Total Operating Revenues	4,420,264	803,212	877,433	23,396	(1,583,350)	4,540,955
Operating Expenses:						
Salaries and Benefits	3,583,018	-	-	-	-	3,583,018
Rent	803,050	-	780,300	-	(1,583,350)	-
Purchased Services	1,185,459	24,273	13,698	17,650	-	1,241,080
Supplies	292,269	-	-	-	-	292,269
Depreciation and Amortization	87,418	482,745	-	-	-	570,163
Other Operating Expenses	63,699	60,000	222	141,512	-	265,433
Total Operating Expenses	6,014,913	567,018	794,220	159,162	(1,583,350)	5,951,963
Operating Income (Loss)	(1,594,649)	236,194	83,213	(135,766)	-	(1,411,008)
Non-Operating Revenues and Expenses:						
Federal and Intergovernmental Revenues	1,146,306	-	-	-	-	1,146,306
Debt Forgiveness	541,600	-	-	-	-	541,600
Equity in Net Loss from Investments	-	-	(19,655)	(175,685)	195,340	-
Interest Income	362,241	171	57,157	9,282	(362,010)	66,841
Interest Expense	(315,984)	(432,910)	-	-	342,291	(406,603)
Net Non-Operating Revenues and Expenses	1,734,163	(432,739)	37,502	(166,403)	175,621	1,348,144
Change in Net Position	139,514	(196,545)	120,715	(302,169)	175,621	(62,864)
Net Position, Beginning of Year	1,626,311	4,150,834	2,404,531	2,573,659	(5,967,793)	4,787,542
Net Position, End of Year	\$ 1,765,825	\$ 3,954,289	\$ 2,525,246	\$ 2,271,490	\$ (5,792,172)	\$ 4,724,678

See Accompanying Notes to the Basic Financial Statements

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

	Menlo Park Academy 6/30/2021	West 53rd Holdings, LLC 12/31/2020	West 53rd Master Tenant, LLC 12/31/2020	TAE Manager, LLC 12/31/2020	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
State Aid Receipts	\$ 3,992,841	\$ -	\$ -	\$ -	\$ -	\$ 3,992,841
Lease Income	-	780,300	877,433	-	(1,583,350)	74,383
Other Operating Receipts	427,423	22,912	-	23,396	-	473,731
Cash Payments for Asset Management Fees	-	(60,000)	-	-	-	(60,000)
Cash Payments to Suppliers for Goods and Services	(2,316,761)	(29,743)	(913,529)	(37,219)	1,637,069	(1,660,183)
Cash Payments to Employees for Services	(2,480,662)	-	-	-	-	(2,480,662)
Cash Payments for Employee Benefits	(581,598)	-	-	-	-	(581,598)
Net Cash Provided by (Used For) Operating Activities	(958,757)	713,469	(36,096)	(13,823)	53,719	(241,488)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental Revenues	153,634	-	-	-	-	153,634
Federal and State Restricted Grant Receipts	681,561	-	-	-	-	681,561
Net Cash Provided By Noncapital Financing Activities	835,195	-	-	-	-	835,195
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Cash Payments for Capital Assets	(146,387)	-	-	-	-	(146,387)
Principal Payments Made on Loans	(268,942)	(327,546)	-	(275,423)	-	(871,911)
Principal Payments Received on Loans	136,505	41,759	-	283,313	(34,000)	427,577
Cash Received from Interest Income	362,241	171	57,157	9,282	(362,010)	66,841
Cash Payments for Interest Expense	(315,984)	(474,906)	-	-	342,291	(448,599)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(232,567)	(760,522)	57,157	17,172	(53,719)	(972,479)
Net Increase (Decrease) in Cash and Cash Equivalents	(356,129)	(47,053)	21,061	3,349	-	(378,772)
Cash and Cash Equivalents - Beginning of the Year	1,183,120	231,045	10,332	5	-	1,424,502
Cash and Cash Equivalents - End of the Year	\$ 826,991	\$ 183,992	\$ 31,393	\$ 3,354	\$ -	\$ 1,045,730

MEN6905LO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Combining Statement of Cash Flows

	Menlo Park Academy 6/30/2021	West 53rd Holdings, LLC 12/31/2020	West 53rd Master Tenant, LLC 12/31/2020	TAE Manager, LLC 12/31/2020	Eliminations	Total
Reconciliation of Operating Income(Loss) to Net Cash Provided by (Used For) Operating Activities						
Operating Income (Loss)	\$ (1,594,649)	\$ 236,194	\$ 83,213	\$ (135,766)	\$ -	\$ (1,411,008)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:						
Depreciation	87,418	482,745	-	-	-	570,163
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:						
(Increase)/Decrease in Receivables	22,078	16,486	(102,617)	3,827	16,456	(43,770)
(Increase)/ Decrease in Deferred Outflows	(475,429)	-	-	-	-	(475,429)
(Increase)/ Decrease in OPEB Asset	(15,232)	-	-	-	-	(15,232)
Increase/ (Decrease) in Deferred Inflows	(65,062)	-	-	-	-	(65,062)
Increase/ (Decrease) in Net Pension/OPEB Liability	1,076,481	-	-	-	-	1,076,481
(Increase)/Decrease in Other Assets	(2,403)	237	-	-	-	(2,166)
Increase/(Decrease) in Accounts Payable, Trade	(3,827)	(4,450)	-	-	-	(8,277)
Increase/(Decrease) in Accrued Expenses	(16,497)	(17,743)	(16,692)	118,116	37,263	104,447
Increase/(Decrease) in Accrued Wages & Benefits	28,365	-	-	-	-	28,365
Net Cash Provided by (Used For) Operating Activities	\$ (958,757)	\$ 713,469	\$ (36,096)	\$ (13,823)	\$ 53,719	\$ (241,488)

See Accompanying Notes to the Basic Financial Statements

Non-Cash Transaction:

During the fiscal year, \$541,600 worth of Payroll Protection Program Loans were forgiven by the U.S. Small Business Administration.

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 the financial statements of the Menlo Park Academy, Cuyahoga County, Ohio (the “Academy”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated November 24, 2021.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

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 may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
November 24, 2021

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

We have audited the Menlo Park Academy’s, Cuyahoga County, Ohio (the “Academy”) compliance with the types of compliance requirements described 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, 2021. 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*.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of 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, 2021.

Report on Internal Control over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
November 24, 2021

**MENLO PARK ACADEMY
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	2021	\$ 111,877	\$ -
Total Title I			111,877	-
<i>Special Education Cluster:</i>				
IDEA Part B	84.027A	2021	94,181	-
Total Special Education Cluster			94,181	-
Coronavirus Relief Funds-Broadband Connectivity-COVID-19	21.019	2021	18,074	-
Education Stabilization Fund - Elementary and Secondary School Emergency Relief- COVID-19	84.425D	2021	460,811	-
Title II-A Improving Teacher Quality	84.367A	2021	15,827	-
<i>Total U.S. Department of Education</i>			<u>700,770</u>	<u>-</u>
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	2021	44,425	-
School Breakfast Program (COVID-19)	10.553	2021	11,276	-
National School Lunch Program	10.555	2021	105,955	-
National School Lunch Program (COVID-19)	10.555	2021	21,060	-
Total Child Nutrition Cluster			182,716	-
<i>Total U.S. Department of Agriculture</i>			<u>182,716</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 883,486</u>	<u>\$ -</u>

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, 2021**

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, 2021. 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 2021, the ODE authorized the following transfers:

<u>CFDA Number / Grant Title</u>	<u>Grant Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
84.010 Title I	2020	\$ 7,719	
84.010A Title I	2021		\$ 7,719
84.027 IDEA Part B	2020	4,457	
84.027A IDEA Part B	2021		4,457
		<u>\$ 12,176</u>	<u>\$ 12,176</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, 2021**

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)?	No
(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): Education Stabilization Fund – Elementary and Secondary School Emergency Relief – COVID-19	CFDA # 84.425D
(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**

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.

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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 12/16/2021

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
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