# GLOBAL AMBASSADORS LANGUAGE ACADEMY
## CUYAHOGA COUNTY, OHIO

*REGULAR AUDIT*

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

OHIO AUDITOR OF STATE
KEITH FABER

65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Directors
Global Ambassadors Language Academy
13442 Lorain Avenue
Cleveland, OH 44111

We have reviewed the *Independent Auditor's Report* of Global Ambassadors Language Academy, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2023, through June 30, 2024. 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. Global Ambassadors Language Academy is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

**June 11, 2025**

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**GLOBAL AMBASSADORS LANGUAGE ACADEMY**
**CUYAHOGA COUNTY**

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Global Ambassadors Language Academy
Cuyahoga County
13442 Lorain Avenue
Cleveland, OH 44111

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Global Ambassadors Language Academy (the "School"), Cuyahoga County, Ohio, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Global Ambassadors Language Academy, Cuyahoga County, Ohio, as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2025 on our consideration of the School'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 School'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 School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Cleveland, Ohio
April 7, 2025

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The management's discussion and analysis of the Global Ambassadors Language Academy (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (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, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

## Financial Highlights

Key financial highlights for the School are as follows:

- The School's net position decreased $178,397 during the fiscal year.
- Total assets increased $670,485 from the prior year.
- Total liabilities increased $885,614 from the prior year.

## Using this Annual Financial Report

This financial report contains the management's discussion and analysis, the basic financial statements, required supplementary information and notes to the required supplementary information. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

### *Statement of Net Position*

The Statement of Net Position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources 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.

This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

**Financial Analysis**

Table 1 provides a summary of the School's net position at June 30, 2024 and 2023.

**(Table 1)**
**Statement of Net Position**

| | 2024 | 2023 | Change |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | $ 999,470 | $ 1,037,639 | $ (38,169) |
| Net OPEB Asset | 225,769 | 255,651 | (29,882) |
| Capital Assets | 1,698,434 | 959,898 | 738,536 |
| *Total Assets* | 2,923,673 | 2,253,188 | 670,485 |
| **Deferred Outflows of Resources** | 1,331,030 | 1,386,576 | (55,546) |
| **Liabilities** | | | |
| Current Liabilities | 1,224,377 | 982,279 | 242,098 |
| Long Term Liabilities | 3,333,485 | 2,689,969 | 643,516 |
| *Total Liabilities* | 4,557,862 | 3,672,248 | 885,614 |
| **Deferred Inflows of Resources** | 487,214 | 579,492 | (92,278) |
| **Net Position** | | | |
| Net Investment in Capital Assets | 616,343 | 459,898 | 156,445 |
| Restricted | 800,456 | 101,001 | 699,455 |
| Unrestricted | (2,207,172) | (1,172,875) | (1,034,297) |
| *Total Net Position* | $ (790,373) | $ (611,976) | $ (178,397) |

Current assets decreased primarily due to the decrease in grants receivable caused by the timing of draws. Capital assets increased primarily due to additions for a leased building exceeding depreciation/amortization, as well as an increase in construction in progress. Liabilities increased due to the lease payable related to the building used for the School's operations.

The net pension and net OPEB liabilities, net OPEB asset, and related deferred outflows and inflows of resources related to pensions/OPEB all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments. This is the primary cause of the increase in long term liabilities.

Table 2 provides a summary of the School's change in net position for fiscal years ended June 30, 2024 and 2023.

**(Table 2)**
**Change in Net Position**

| | 2024 | 2023 | Change |
|---|---|---|---|
| Operating Revenue | $ 2,732,232 | $ 2,449,169 | $ 283,063 |
| Non-Operating Revenue | 798,067 | 1,924,995 | (1,126,928) |
| Total Revenue | 3,530,299 | 4,374,164 | (843,865) |
| Operating Expenses | 4,319,181 | 4,253,632 | 65,549 |
| Non-Operating Expenses | 39,515 | 3,590 | 35,925 |
| Total Expenses | 4,358,696 | 4,257,222 | 101,474 |
| Income (Loss) before Capital Contributions | (828,397) | 116,942 | (945,339) |
| Capital Contributions | 650,000 | - | 650,000 |
| Change in Net Position | $ (178,397) | $ 116,942 | $ (295,339) |

The School's operating revenues in 2024 were based on the School's full-time equivalent (FTE) which increased from the prior year along with a change in the State funding formula. The School's non-operating revenues decreased due to the conclusion of ESSER grant funding. Overall, operating and non-operating expenses increased slightly, with the most significant expense, salaries and wages increasing due to the increase in enrollment.

Capital contributions increased due to grants and donations for building improvements.

The changes in fringe benefits are primarily associated to changes in the School's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

**Capital Assets**

The School's capital assets increased during fiscal year 2024 due to additions for a building lease and construction in progress exceeding depreciation and amortization. Detailed information regarding capital asset activity is included in the Note 5 in the notes to the basic financial statements.

**Debt**

As of the fiscal year-end, the School's lease payable increased in comparison with the prior fiscal year due to the commencement of a building lease. For more information on debt, see Note 12 to the basic financial statements.

**Contacting the School's Financial Management**

This financial report is designed to provide a general overview of the finances of the Global Ambassadors Language Academy and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Fiscal Officer at 3320 West Market Street, Suite 300, Fairlawn, Ohio 44333.

**Global Ambassadors Language Academy**
**Cuyahoga County, Ohio**
*Statement of Net Position*
*June 30, 2024*

| | | |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and Cash Equivalents | $ | 249,578 |
| Segregated Cash and Cash Equivalents | | 643,800 |
| Grant Funding Receivable | | 103,001 |
| Prepaid Items | | 3,091 |
| *Total Current Assets* | | 999,470 |
| Noncurrent Assets | | |
| Net OPEB Asset | | 225,769 |
| Capital Assets Not Being Depreciated/Amortized | | 959,351 |
| Capital Assets Being Depreciated/Amortized, net | | 739,083 |
| Total Noncurrent Assets | | 1,924,203 |
| **Total Assets** | | 2,923,673 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension | | 1,141,508 |
| OPEB | | 189,522 |
| **Total Deferred Outflows of Resources** | | 1,331,030 |
| **LIABILITIES** | | |
| Current Liabilities | | |
| Accounts Payable | | 76,285 |
| Contracts Payable | | 69,113 |
| Accrued Wages | | 157,435 |
| Intergovernmental Payable | | 173,207 |
| Interest Payable | | 2,736 |
| Loan Payable | | 500,000 |
| Lease Payable | | 245,601 |
| *Total Current Liabilities* | | 1,224,377 |
| Long Term Liabilities | | |
| Lease Payable | | 267,377 |
| Net Pension Liability | | 2,932,858 |
| Net OPEB Liability | | 133,250 |
| *Total Long Term Liabilities* | | 3,333,485 |
| **Total Liabilities** | | 4,557,862 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension | | 180,671 |
| OPEB | | 306,543 |
| **Total Deferred Inflows of Resources** | | 487,214 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | | 616,343 |
| Restricted for OPEB | | 225,769 |
| Restricted | | 574,687 |
| Unrestricted | | (2,207,172) |
| **Total Net Position** | $ | (790,373) |

See accompanying notes to basic financial statements.

**Global Ambassadors Language Academy**
**Cuyahoga County, Ohio**
*Statement of Revenues, Expenses, and Changes in Net Position*
*For the Fiscal Year Ended June 30, 2024*

| | |
|---|---|
| **OPERATING REVENUES** | |
| Foundation Payments | $ 2,624,830 |
| Casino Tax | 19,380 |
| Other | 88,022 |
| **Total Operating Revenues** | 2,732,232 |
| **OPERATING EXPENSES** | |
| Salaries and Wages | 1,752,128 |
| Fringe Benefits | 1,156,443 |
| Purchased Services | 822,380 |
| Supplies and Materials | 187,404 |
| Depreciation and Amortization | 262,039 |
| Other | 138,787 |
| **Total Operating Expenses** | 4,319,181 |
| **Operating Income (Loss)** | (1,586,949) |
| **NON-OPERATING REVENUES/(EXPENSES)** | |
| Federal and State Grants | 741,572 |
| Local Grants and Donations | 46,935 |
| Interest Expense | (39,515) |
| Interest Revenue | 9,560 |
| **Net Non-Operating Revenues (Expenses)** | 758,552 |
| **Income (Loss) Before Capital Contributions** | (828,397) |
| Capital Contributions | 650,000 |
| **Change in Net Position** | (178,397) |
| **Net Position Beginning of Year** | (611,976) |
| **Net Position End of Year** | $ (790,373) |

See accompanying notes to basic financial statements.

**Global Ambassadors Language Academy**
**Cuyahoga County, Ohio**
*Statement of Cash Flows*
*For the Fiscal Year Ended June 30, 2024*

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash Received From State Aid | $ | 2,644,210 |
| Cash Received Other Operating Sources | | 88,022 |
| Cash Payments for Wages and Benefits | | (2,361,378) |
| Cash Payments for Goods and Services | | (969,577) |
| Other Cash Payments | | (132,013) |
| **Net Cash Used For Operating Activities** | | (730,736) |
| | | |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | |
| Payments for Capital Acquisitions | | (202,556) |
| Cash Payments for Principal | | (229,210) |
| Cash Payments for Interest | | (36,780) |
| Cash Received for Capital Projects | | 650,000 |
| **Net Cash Provided By Capital Financing Activities** | | 181,454 |
| | | |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Cash Received From Federal and State Grants | | 621,868 |
| Cash Received from Local Grants and Donations | | 46,935 |
| **Net Cash Provided by Noncapital Financing Activities** | | 668,803 |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Cash Received from Interest | | 9,560 |
| | | |
| **Net Increase in Cash and Cash Equivalents** | | 129,081 |
| **Cash and Cash Equivalents at Beginning of Year** | | 764,297 |
| **Cash and Cash Equivalents at End of Year** | $ | 893,378 |
| | | |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED USED FOR OPERATING ACTIVITIES** | | |
| | | |
| Operating Income (Loss) | $ | (1,586,949) |
| | | |
| **ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED FOR) OPERATING ACTIVITIES** | | |
| | | |
| Depreciation/Amortization | | 262,039 |
| | | |
| Changes in Assets, Liabilities, and Deferred Outflows/Inflows: | | |
| Intergovernmental Receivable | | 30,180 |
| Prepaids | | 6,774 |
| Deferred Outflows of Resources | | 55,546 |
| Deferred Inflows of Resources | | (92,278) |
| Net OPEB Asset | | 29,882 |
| Net Pension/OPEB Liability | | 376,139 |
| Accounts Payable | | 40,207 |
| Intergovernmental Payable | | 173,207 |
| Accrued Wages and Benefits | | (25,483) |
| Total Adjustments | | 856,213 |
| | | |
| Net Cash Used For Operating Activities | $ | (730,736) |

**NON-CASH FINANCING ACTIVITIES**

The School purchased capital assets on account for $69,113 and $13,283 during fiscal year 2024 and 2023, respectively. During fiscal year 2024, the School entered into a lease for a building increasing capital assets and leases payable $742,188.

See accompanying notes to basic financial statements.

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

Global Ambassadors Language Academy (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the language immersion needs of students in grades kindergarten through second grade. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School qualifies as an exempt organization under Section 501c (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 the school's tax exempt status.

Buckeye Community Hope Foundation is the School's sponsor. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School operates under the direction of a nine-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated standards, admission standards, and qualifications of teachers. The Board of Directors controls the School's one instructional/support facility.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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. The more significant of the School's accounting policies are described below.

### *Basis of Presentation*

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

### *Measurement Focus*

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

### *Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each part gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time 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 School and its Sponsor. The contract between the School and its Sponsor does not require the School to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

***Capital Assets***

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School maintains a capitalization threshold of $5,000 dollars. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Depreciation is computed using the straight-line method over the following useful lives:

| | |
|---|---|
| Land Improvements | 10 years |
| Building Improvements | 39 years |
| Leasehold Improvements | 5-10 years |
| Furniture and Equipment | 3-5 years |
| Computer Equipment | 3 years |

The School is reporting an intangible right to use asset related to a leased building. This intangible asset is being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

***Cash and Cash Equivalents***

All monies received by the School are maintained in a demand deposit account and STAR Ohio.

The School invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, Certain External Investment Pools and Pool Participants. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

***Prepaid Items***

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions and other postemployment benefits (OPEB). These deferred outflows of resources related to pensions and OPEB are explained in Note 7 and Note 8.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. This deferred inflow of resources related to pension and OPEB are explained in Note 7 and Note 8.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. There was no net position restricted for enabling legislation at fiscal year-end. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation and related payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

***Capital Contributions***

Capital contributions arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

### *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 those estimates.

### *Pensions and 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.

### *Implementation of New Accounting Principles*

For the fiscal year ended June 30, 2024, the School has implemented certain provisions of GASB Statement No. 99, *Omnibus 2022* and GASB Statement No. 100, *Accounting Changes and Error Corrections*.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 did not have an effect on the financial statements of the School.

GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide a more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessment accountability. The implementation of GASB Statement No. 100 did not have an effect on the financial statements of the School.

## NOTE 3 – DEPOSITS AND INVESTMENTS

### *Deposits*

At fiscal year-end, the School's bank balance was fully insured. The School has no deposit policy for custodial risk beyond the requirement of state statute.

### *Investments*

As of June 30, 2024, the School invested in STAR Ohio in the amount of $643,800. This account is reflected as segregated cash and cash equivalents since held separately to account for transactions related to the School's capital campaign for a building project.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2024, is 47 days.

## NOTE 4 - RECEIVABLES

Receivables at June 30, 2024, consisted of grant funding and intergovernmental receivables. All receivables are considered collectible in full.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

| | Balance June 30, 2023 | Additions | Deletions | Balance June 30, 2024 |
|---|---|---|---|---|
| *Capital Assets Not Being Depreciated/Amortized:* | | | | |
| Land | $ 190,000 | $ - | $ - | $ 190,000 |
| Construction In Progress | 510,965 | 258,386 | - | 769,351 |
| *Total Capital Assets Not Being Depreciated/Amortized:* | 700,965 | 258,386 | - | 959,351 |
| *Capital Assets Being Depreciated/Amortized:* | | | | |
| Land Improvements | 46,527 | - | - | 46,527 |
| Building and Improvements | 205,000 | - | - | 205,000 |
| Leasehold Improvements | 59,330 | - | - | 59,330 |
| Furniture and Equipment | 22,789 | - | - | 22,789 |
| Computer Equipment | 35,366 | - | - | 35,366 |
| Leased Asset - Building (intangible) | - | 742,188 | - | 742,188 |
| *Total Capital Assets Being Depreciated/Amortized:* | 369,012 | 742,188 | - | 1,111,200 |
| *Less Accumulated Depreciation/Amortization:* | | | | |
| Land Improvements | (10,236) | (1,861) | - | (12,097) |
| Building and Improvements | (9,490) | (5,257) | - | (14,747) |
| Leasehold Improvements | (33,972) | (5,750) | - | (39,722) |
| Furniture and Equipment | (21,014) | (1,775) | - | (22,789) |
| Computer Equipment | (35,367) | - | (1) | (35,366) |
| Leased Asset - Building (intangible) | - | (247,396) | - | (247,396) |
| *Total Accumulated Depreciation/Amortization:* | (110,079) | (262,039) | (1) | (372,117) |
| *Total Capital Assets Being Depreciated/Amortized, Net* | 258,933 | 480,149 | (1) | 739,083 |
| *Capital Assets, Net* | $ 959,898 | $ 738,535 | $ (1) | $ 1,698,434 |

## NOTE 6 – RISK MANAGEMENT

### *Property and Liability Insurance*

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the School contracted for commercial property liability, employee dishonesty liability, school leader's legal liability, cyber liability, general umbrella liability, and general liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior fiscal year.

#### *Worker's Compensation*

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

## NOTE 7 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

### *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 School's proportionate share of each pension/OPEB 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.

The Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School 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 funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system'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 proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)*. Any liability for the contractually required pension contribution outstanding at the end of the year is included in *intergovernmental payable*.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

### *Plan Description - School Employees Retirement System (SERS)*

Plan Description – School 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, 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 on or before August 1, 2017 * | Eligible to Retire 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<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, may 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. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School's contractually required contribution to SERS was $37,527 for fiscal year 2024.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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 upon a determination by its actuary that it was necessary 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 July 1, 2022, a one-time ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility charges will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 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 is deposited into the member's DC account and the remaining 2 percent is applied 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.

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. New members on or after July 1, 2013, 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The School's contractually required contribution to STRS was $212,710 for fiscal year 2024.

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

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School'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:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.0078359% | 0.01160850% | |
| Prior Measurement Date | 0.0072225% | 0.00987323% | |
| Change in Proportionate Share | 0.0006134% | 0.00173527% | |
| Proportionate Share of the Net Pension Liability | $ 432,974 | $ 2,499,884 | $ 2,932,858 |
| Pension Expense | $ 93,369 | $ 511,278 | $ 604,647 |

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight-line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five-year period.

At June 30, 2024, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ 18,612 | $ 91,140 | $ 109,752 |
| Changes of Assumptions | 3,067 | 205,880 | 208,947 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | 63,858 | 508,714 | 572,572 |
| School Contributions Subsequent to the Measurement Date | 37,527 | 212,710 | 250,237 |
| **Total Deferred Outflows of Resources** | $ 123,064 | $ 1,018,444 | $ 1,141,508 |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ - | $ 5,548 | $ 5,548 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 6,088 | 7,491 | 13,579 |
| Changes of Assumptions | - | 154,967 | 154,967 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | - | 6,577 | 6,577 |
| **Total Deferred Inflows of Resources** | $ 6,088 | $ 174,583 | $ 180,671 |

$250,237 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. 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: | | | |
| 2025 | $ 52,237 | $ 215,951 | $ 268,188 |
| 2026 | (7,397) | 41,458 | 34,061 |
| 2027 | 34,288 | 317,728 | 352,016 |
| 2028 | 321 | 56,014 | 56,335 |
| Total | $ 79,449 | $ 631,151 | $ 710,600 |

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). 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 2137.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2023, and 2022 are presented below:

| | |
|---|---|
| Inflation | 2.40 percent |
| Future Salary Increases, including inflation | 3.25 percent to 13.58 percent |
| Investment Rate of Return | 7.00 percent net of System expenses |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| COLA or Ad Hoc COLA | 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement |

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

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

The long-term return expectation for the Pension Plan 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. As of June 30, 2023:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 2.00 % | 0.75 % |
| US Equity | 24.75 | 4.82 |
| Non-US Equity Developed | 13.50 | 5.19 |
| Non-US Equity Emerging | 6.75 | 5.98 |
| Fixed Income/Global Bonds | 19.00 | 2.24 |
| Private Equity | 12.00 | 7.49 |
| Real Estate/Real Assets | 17.00 | 3.70 |
| Private Debt/Private Credit | 5.00 | 5.64 |
| Total | 100.00 % | |

***Discount Rate*** The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate of fiscal year 2023 was 14.00 percent. Projected inflows from investment earnings were calculated using the long term assumed investment rate of return, 7.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

***Sensitivity of the School'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 School's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net Pension Liability | $ 639,047 | $ 432,974 | $ 259,396 |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023, and 2022, actuarial valuation, are presented below:

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary Increases | From 2.5 percent to 8.5 percent, based on service |
| Investment Rate of Return | 7.00 percent, net of investment expenses, including inflation |
| Discount Rate of Return | 7.00 percent |
| Payroll Increases | 3.00 percent |
| Cost-of-Living Adjustments (COLA) | 0.00 percent, effective July 1, 2017 |

Post-retirement mortality rates for healthy retirees are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

| Asset Class | Target Allocation* | Long-Term Expected Rate of Return** |
|---|---|---|
| Domestic Equity | 26.00 % | 6.60 % |
| International Equity | 22.00 | 6.80 |
| Alternatives | 19.00 | 7.38 |
| Fixed Income | 22.00 | 1.75 |
| Real Estate | 10.00 | 5.75 |
| Liquidity Reserves | 1.00 | 1.00 |
| Total | 100.00 % | |

*Final target weights reflected at October 1, 2022.
**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of 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 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2023.

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net Pension Liability | $ 3,844,267 | $ 2,499,884 | $ 1,362,902 |

***Assumption and Benefit Changes Since the Prior Measurement Date*** The discount rate remained at 7.00 percent for June 30, 2023, valuation. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015, through June 30, 2021.

## NOTE 8 - DEFINED BENEFIT OPEB PLANS

See Note 7 for a description of the net OPEB liability (asset).

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School 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. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, no allocation was made 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 2024, this amount was $30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the School's surcharge obligation was $4,690. The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was equal to its surcharge obligation for fiscal year 2024.

***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. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. 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, 2024, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB***

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability (asset) was based on the School'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:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net OPEB Liability (Asset): | | | |
| Current Measurement Date | 0.0080883% | 0.01160850% | |
| Prior Measurement Date | 0.0074421% | 0.00987323% | |
| Change in Proportionate Share | 0.0006462% | 0.00173527% | |
| Proportionate Share of the Net OPEB Liability (Asset) | $ 133,250 | $ (225,769) | |
| OPEB Expense | $ 1,857 | $ 17,712 | $ 19,569 |

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in OPEB expense beginning in the current period, using a straight-line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five-year period.

At June 30, 2024, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ 278 | $ 352 | $ 630 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | 1,034 | 403 | 1,437 |
| Changes of Assumptions | 45,055 | 33,255 | 78,310 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | 88,230 | 16,225 | 104,455 |
| School Contributions Subsequent to the Measurement Date | 4,690 | - | 4,690 |
| **Total Deferred Outflows of Resources** | $ 139,287 | $ 50,235 | $ 189,522 |
| | | | |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ 68,723 | $ 34,436 | $ 103,159 |
| Changes of Assumptions | 37,847 | 148,957 | 186,804 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | 7,258 | 9,322 | 16,580 |
| **Total Deferred Inflows of Resources** | $ 113,828 | $ 192,715 | $ 306,543 |

$4,690 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction/addition to the net OPEB liability/asset in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2025 | $ (4,433) | $ (53,458) | $ (57,891) |
| 2026 | (525) | (30,272) | (30,797) |
| 2027 | 1,496 | (12,305) | (10,809) |
| 2028 | 3,361 | (17,092) | (13,731) |
| 2029 | 5,964 | (15,761) | (9,797) |
| Thereafter | 14,906 | (13,592) | 1,314 |
| Total | $ 20,769 | $ (142,480) | $ (121,711) |

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2023, are presented below:

| | June 30, 2023 |
|---|---|
| Inflation | 2.40 percent |
| Future Salary Increases, including Inflation | 3.25 percent to 13.58 percent |
| Investment Rate of Return | 7.00 percent net of investment expense |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| Fiduciary Net Position is Projected to be Depleted | 2048 |
| Municipal Bond Index Rate | |
| Measurement Date | 3.86 percent |
| Prior Measurement Date | 3.69 percent |
| Single Equivalent Interest Rate | |
| Measurement Date | 4.27 percent |
| Prior Measurement Date | 4.08 percent |
| Health Care Cost Trend Rate | |
| Medicare | 5.125 to 4.40 percent |
| Pre-Medicare | 6.75 to 4.40 percent |
| Medical Trend Assumption | |
| Measurement Date | 6.75 to 4.40 percent |
| Prior Measurement Date | 7.00 to 4.40 percent |

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to

2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020 and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-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, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 2.00 % | 0.75 % |
| US Equity | 24.75 | 4.82 |
| Non-US Equity Developed | 13.50 | 5.19 |
| Non-US Equity Emerging | 6.75 | 5.98 |
| Fixed Income/Global Bonds | 19.00 | 2.24 |
| Private Equity | 12.00 | 7.49 |
| Real Estate/Real Assets | 17.00 | 3.70 |
| Private Debt/Private Credit | 5.00 | 5.64 |
| Total | 100.00 % | |

***Discount Rate*** The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 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 1.50 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 be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022, and the June 30, 2023, total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

***Sensitivity of the School'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 (3.27 percent) and higher (5.27 percent) than the current discount rate (4.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate (6.75 percent decreasing to 4.40 percent).

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB Liability | $ 170,332 | $ 133,250 | $ 104,010 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB Liability | $ 97,894 | $ 133,250 | $ 180,102 |

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023, and 2022, actuarial valuation are presented below:

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Projected Salary Increases | Varies by service from 2.5 percent to 8.5 percent | Varies by service from 2.5 percent to 8.5 percent |
| Investment Rate of Return | 7.00 percent, net of investment expenses, including inflation | 7.00 percent, net of investment expenses, including inflation |
| Payroll Increases | 3 percent | 3 percent |
| Discount Rate of Return | 7.00 percent | 7.00 percent |
| Health Care Cost Trends | | |
| Medical | | |
| Pre-Medicare | 7.50 percent initial<br>4.14 percent ultimate | 7.50 percent initial<br>3.94 percent ultimate |
| Medicare | -10.94 percent initial<br>4.14 percent ultimate | -68.78 percent initial<br>3.94 percent ultimate |
| Prescription Drug | | |
| Pre-Medicare | -11.95 percent initial<br>4.14 percent ultimate | 9.00 percent initial<br>3.94 percent ultimate |
| Medicare | 1.33 percent initial<br>4.14 percent ultimate | -5.47 percent initial<br>3.94 percent ultimate |

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

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation is based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

| Asset Class | Target Allocation* | Long-Term Expected Rate of Return** |
|---|---|---|
| Domestic Equity | 26.00 % | 6.60 % |
| International Equity | 22.00 | 6.80 |
| Alternatives | 19.00 | 7.38 |
| Fixed Income | 22.00 | 1.75 |
| Real Estate | 10.00 | 5.75 |
| Liquidity Reserves | 1.00 | 1.00 |
| Total | 100.00 % | |

*Final target weights reflected at October 1, 2022.
**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of 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 7.00 percent as of June 30, 2023. 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 these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

***Sensitivity of the School'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, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB (Asset) | $ (191,084) | $ (225,769) | $ (255,976) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB (Asset) | $ (257,378) | $ (225,769) | $ (187,697) |

***Assumption Changes Since the Prior Measurement Date*** The discount rate remained unchanged at 7.00 percent for the June 30, 2023, valuation.

***Benefit Term Changes Since the Prior Measurement Date*** Healthcare trends were updated to reflect emerging claims and recoveries experiences as well as benefit changes effective January 1, 2024.

## NOTE 9 – EMPLOYEE BENEFITS

*Insurance Benefits* - The School has purchased insurance from Medical Mutual and Aetna Life Insurance Company to provide employee medical, dental, life, and vision.

## NOTE 10 – PURCHASED SERVICES

During the fiscal year ended June 30, 2024, purchased service expenses for services rendered by various vendors were as follows:

| | |
|---|---|
| Instruction Services | $ 477,287 |
| Other Professional and Technical Services | 87,521 |
| Repairs and Maintenance | 8,803 |
| Legal Services | 26,939 |
| Utilities | 32,733 |
| Sponsor Fee | 84,020 |
| Contracted Food Services | 105,077 |
| Total | $ 822,380 |

## NOTE 11 - SPONSORSHIP FEES

Under Paragraph D(4) of the Sponsor contract with Buckeye Community Hope Foundation, it states that the School "…shall pay to the Sponsor, the amount of three percent of all State funds received each year, in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract." Such fees are paid to Buckeye Community Hope Foundation monthly.

## NOTE 12 – LONG-TERM LIABILITIES

During the fiscal year, the following activity occurred in long-term liabilities:

| | Balance June 30, 2023 | Additions | Deductions | Balance June 30, 2024 | Amount Due One Year |
|---|---|---|---|---|---|
| Lease Payable | $ - | $ 742,188 | $ (229,210) | $ 512,978 | $ 245,601 |
| *Direct Borrowing:* | | | | | |
| Loan Payable | 500,000 | - | - | 500,000 | 500,000 |
| *Total Long-Term Liabilities* | $ 500,000 | $ 742,188 | $ (229,210) | $ 1,012,978 | $ 745,601 |

### *Lease Payable*

The School had outstanding agreements to lease building space. The future lease payments were discounted based on the interest rate implicit in the lease or using the School's incremental borrowing rate. This discount was amortized over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

| | Lease Payments | |
|---|---|---|
| Fiscal Year | Principal | Interest |
| 2025 | $245,601 | $ 25,709 |
| 2026 | 267,377 | 9,359 |
| | $512,978 | $ 35,068 |

### *Loan Payable*

In September 2021, the School issued a mortgage loan for the purchase of a building from Cleveland Municipal School District to be used for future instruction of its students.

| | Loan Payable | |
|---|---|---|
| Fiscal Year | Principal | Interest |
| 2025 | $ 500,000 | $ 7,500 |

## NOTE 13 - CONTINGENCIES

### *Grants*

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2024, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

### *Litigation*

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**Global Ambassadors Language Academy**
**Cuyahoga County, Ohio**
*Required Supplementary Information*
*Schedule of the School's Proportionate Share of the Net Pension Liability*
*Last Seven Fiscal Years (1)*

| | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | |
| School's Proportion of the Net Pension Liability | 0.0078359% | 0.0072225% | 0.0050587% | 0.0049015% |
| School's Proportionate Share of the Net Pension Liability | $ 432,974 | $ 390,649 | $ 186,651 | $ 324,196 |
| School's Covered Payroll | $ 312,200 | $ 277,264 | $ 174,614 | $ 171,836 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 138.68% | 140.89% | 106.89% | 188.67% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 76.06% | 75.82% | 82.86% | 68.55% |
| ***State Teachers Retirement System (STRS)*** | | | | |
| School's Proportion of the Net Pension Liability | 0.01160850% | 0.00987323% | 0.00862851% | 0.00869772% |
| School's Proportionate Share of the Net Pension Liability | $ 2,499,884 | $ 2,194,832 | $ 1,103,233 | $ 2,104,539 |
| School's Covered Payroll | $ 1,567,943 | $ 1,283,564 | $ 1,064,700 | $ 1,049,679 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 159.44% | 171.00% | 103.62% | 200.49% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 80.02% | 78.90% | 87.80% | 75.50% |

(1) Information prior to 2018 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

| 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | 0.0040016% | | 0.0028538% | | 0.0047609% |
| $ | 239,423 | $ | 163,442 | $ | 284,453 |
| $ | 137,281 | $ | 90,265 | $ | 162,001 |
| | 174.40% | | 181.07% | | 175.59% |
| | 70.85% | | 71.36% | | 69.50% |
| | 0.00594909% | | 0.00429996% | | 0.00218155% |
| $ | 1,315,606 | $ | 945,465 | $ | 518,232 |
| $ | 741,314 | $ | 499,957 | $ | 260,130 |
| | 177.47% | | 189.11% | | 199.22% |
| | 77.40% | | 77.30% | | 75.30% |

See accompanying notes to the required supplementary information.

**Global Ambassadors Language Academy**
**Cuyahoga County, Ohio**
*Required Supplementary Information*
*Schedule of the School's Contributions - Pension*
*Last Eight Fiscal Years (1)*

| | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | |
| Contractually Required Contribution | $ 37,527 | $ 43,708 | $ 38,817 | $ 24,446 |
| Contributions in Relation to the Contractually Required Contribution | (37,527) | (43,708) | (38,817) | (24,446) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| School's Covered Payroll | $ 268,050 | $ 312,200 | $ 277,264 | $ 174,614 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% |
| ***State Teachers Retirement System (STRS)*** | | | | |
| Contractually Required Contribution | $ 212,710 | $ 219,512 | $ 179,699 | $ 149,058 |
| Contributions in Relation to the Contractually Required Contribution | (212,710) | (219,512) | (179,699) | (149,058) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| School's Covered Payroll | $ 1,519,357 | $ 1,567,943 | $ 1,283,564 | $ 1,064,700 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% |

(1) Information prior to 2017 is not available.

See accompanying notes to the required supplementary information.

| 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|
| $ 24,057 | $ 18,533 | $ 12,186 | $ 22,680 |
| (24,057) | (18,533) | (12,186) | (22,680) |
| $ - | $ - | $ - | $ - |
| $ 171,836 | $ 137,281 | $ 90,265 | $ 162,001 |
| 14.00% | 13.50% | 13.50% | 14.00% |
| $ 146,955 | $ 103,784 | $ 69,994 | $ 36,418 |
| (146,955) | (103,784) | (69,994) | (36,418) |
| $ - | $ - | $ - | $ - |
| $ 1,049,679 | $ 741,312 | $ 499,957 | $ 260,130 |
| 14.00% | 14.00% | 14.00% | 14.00% |

See accompanying notes to the required supplementary information.

**Global Ambassadors Language Academy**
**Cuyahoga County, Ohio**
*Required Supplementary Information*
*Schedule of the School's Proportionate Share of the Net OPEB Liability (Asset)*
*Last Seven Fiscal Years (1)*

| | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | |
| School's Proportion of the Net OPEB Liability | 0.0080883% | 0.0074421% | 0.0047440% | 0.0049230% |
| School's Proportionate Share of the Net OPEB Liability | $ 133,250 | $ 104,488 | $ 89,777 | $ 106,986 |
| School's Covered Payroll | $ 312,200 | $ 277,264 | $ 174,614 | $ 171,836 |
| School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 42.68% | 37.69% | 51.41% | 62.26% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 30.02% | 30.34% | 24.08% | 18.17% |
| ***State Teachers Retirement System (STRS)*** | | | | |
| School's Proportion of the Net OPEB Liability (Asset) | 0.01160850% | 0.00987323% | 0.00862900% | 0.00869800% |
| School's Proportionate Share of the Net OPEB Liability (Asset) | $ (225,769) | $ (255,651) | $ (181,935) | $ (152,867) |
| School's Covered Payroll | $ 1,567,943 | $ 1,283,564 | $ 1,064,700 | $ 1,049,679 |
| School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | -14.40% | -19.92% | -17.09% | -14.56% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 168.52% | 230.73% | 174.73% | 182.10% |

(1) Information prior to 2018 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

| 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | 0.0036280% | | 0.0025812% | | 0.0044562% |
| $ | 91,244 | $ | 71,609 | $ | 119,593 |
| $ | 137,281 | $ | 90,265 | $ | 162,001 |
| | 66.46% | | 79.33% | | 73.82% |
| | 15.57% | | 13.57% | | 12.46% |
| | 0.00594900% | | 0.00429996% | | 0.00218155% |
| $ | (98,530) | $ | (69,096) | $ | 85,116 |
| $ | 741,314 | $ | 499,957 | $ | 260,130 |
| | -13.29% | | -13.82% | | 32.72% |
| | 174.70% | | 176.00% | | 47.10% |

See accompanying notes to the required supplementary information.

**Global Ambassadors Language Academy**
**Cuyahoga County, Ohio**
*Required Supplementary Information*
*Schedule of the School's Contributions - OPEB*
*Last Eight Fiscal Years (2)*

| | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | |
| Contractually Required Contribution (1) | $ 4,690 | $ 6,048 | $ 5,152 | $ 865 |
| Contributions in Relation to the Contractually Required Contribution | (4,690) | (6,048) | (5,152) | (865) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| School's Covered Payroll | $ 268,050 | $ 312,200 | $ 277,264 | $ 174,614 |
| OPEB Contributions as a Percentage of Covered Payroll (1) | 1.75% | 1.94% | 1.86% | 0.50% |
| ***State Teachers Retirement System (STRS)*** | | | | |
| Contractually Required Contribution | $ - | $ - | $ - | $ - |
| Contributions in Relation to the Contractually Required Contribution | - | - | - | - |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| School's Covered Payroll | $ 1,519,357 | $ 1,567,943 | $ 1,283,564 | $ 1,064,700 |
| OPEB Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% |

(1) Includes surcharge
(2) Information prior to 2017 is not available.

See accompanying notes to the required supplementary information.

| 2020 | | 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| $ | 2,389 | $ | 686 | $ | 451 | $ | 694 |
| | (2,389) | | (686) | | (451) | | (694) |
| $ | - | $ | - | $ | - | $ | - |
| $ | 171,836 | $ | 137,281 | $ | 90,265 | $ | 162,001 |
| | 1.39% | | 0.50% | | 0.50% | | 0.43% |
| $ | - | $ | - | $ | - | $ | - |
| | - | | - | | - | | - |
| $ | - | $ | - | $ | - | $ | - |
| $ | 1,049,679 | $ | 741,312 | $ | 499,957 | $ | 260,130 |
| | 0.00% | | 0.00% | | 0.00% | | 0.00% |

See accompanying notes to the required supplementary information.

## NOTE 1 - NET PENSION LIABILITY

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

***Changes in Assumptions - SERS***

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented as follows:

| | Fiscal Year 2022 | Fiscal Years 2021-2017 | Fiscal Years 2016 and Prior |
|---|---|---|---|
| Wage Inflation | 2.40% | 3.00% | 3.25% |
| Future Salary Increases, including inflation | 3.25% to 13.58% | 3.50% to 18.20% | 4.00% to 22.00% |
| Investment Rate of Return | 7.00% net of system expenses | 7.50% net of investment expenses, including inflation | 7.75% net of investment expenses, including inflation |

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP2020 projection scale generationally.

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

***Changes in Benefit Terms - SERS***

For fiscal year 2022, COLA were increased from 2.00 percent to 2.50 percent.

For fiscal year 2021, COLA were reduced from 2.50 percent to 2.00 percent.

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 2020.

***Changes in Assumptions – STRS***

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented as follows:

| | Fiscal Years 2022 and 2023 | Fiscal Years 2021-2018 | Fiscal Years 2017 and Prior |
|---|---|---|---|
| Inflation | 2.50% | 2.50% | 2.75% |
| Projected Salary Increases | From 2.50% to 12.50% based on age | From 12.50% at age 20 to 2.50% at age 65 | From 12.25% at age 20 to 2.75% at age 70 |
| Investment Rate of Return, net of investment expenses, including inflation | 7.00% | 7.45% | 7.75% |
| Payroll Increases | 3.00% | 3.00% | 3.50% |

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP2014 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. Post-retirement disabled 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

***Changes in Benefit Terms - STRS***

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient's retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

For fiscal year 2018, the COLA was reduced to zero.

Fiscal year 2017 and prior, COLA was 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013 or later, 2 percent COLA commences on fifth anniversary of retirement date

## NOTE 2 - NET OPEB LIABILITY (ASSET)

### *Changes in Assumptions – SERS*

Amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

| | Fiscal Years 2023 and 2022 | Fiscal Years 2021-2017 |
|---|---|---|
| Inflation | 2.40% | 3.00% |
| Future Salary Increases, including inflation | 3.25% to 13.58% | 3.50% to 18.20% |
| Investment Rate of Return, net of investment expenses, including inflation | 7.00% | 7.50% |

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

| | Fiscal Year | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Assumption | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Municipal Bond Index Rate | 3.86% | 3.69% | 1.92% | 2.45% | 3.13% | 3.62% | 3.56% | 2.92% |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | 4.27% | 4.08% | 2.27% | 2.63% | 3.22% | 3.70% | 3.63% | 2.98% |

### *Changes in Assumptions – STRS*

For fiscal year 2023, the projected salary increases were changed from age based (2.5 percent to 12.50 percent) to service based (2.5 percent to 8.5 percent).

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

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

For fiscal year 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 – STRS***

Effective January 1, 2024, Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes.

For fiscal year 2023, health care trends were updated to reflect emerging claims and recoveries experience

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent 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 .1 percent 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.

# 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
Global Ambassadors Language Academy
Cuyahoga County
13442 Lorain Avenue
Cleveland, OH 44111

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Global Ambassadors Language Academy, Cuyahoga County, Ohio (the "School") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated April 7, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School’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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* and which are described in the accompanying schedule of findings and responses as item 2024-002.

**The School’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The School’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’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 School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Cleveland, Ohio
April 7, 2025

## Finding Number: 2024-001
## Material Weakness – Internal Controls Over Financial Reporting

**Criteria:** The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. AU-C 265 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, AU-C 265 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

**Condition:** The School did not properly record federal and state grants and capital contributions revenues and audit adjustments and reclassifications were made to the financial statements presented for audit.

**Context:** Audit adjustments were required in the amount of $176,755 to increase federal and state grants revenue and decrease state basic aid to reclassify student wellness and English Learners Grant to nonoperating revenue from operating revenue.

Another audit adjustment was required in the amount of $177,654 to increase capital contributions revenue, increase purchased services by $15,000, and decrease unearned revenue by $192,654 to properly recognize revenue. Another audit adjustment was required in the amount of $574,687 to decrease unrestricted net position and increase restricted net position. The final adjustment was to break out segregated current cash & cash equivalents from current cash & cash equivalents in the amount of $643,800.

**Cause:** The School did not properly record federal and state grants, capital contributions revenue, unearned revenue, net position, and segregated cash & cash equivalents. The School did not properly present donations related to the capital campaign project since the funds have a donor-imposed restriction.

**Effect:** Audit adjustments described above were necessary to properly present the financial statements in accordance with generally accepted accounting principles (GAAP).

**Recommendation:** The School should implement and strengthen processes to review financial transactions and monthly financial reports to ensure that transactions are recorded in accordance with GAAP.

**Management's Response:** The school is running a large capital campaign on its new facility. The contributions from donors have been awarded to the school for the sole purpose of renovating and repairing the historical site. In order to provide visibility to the donors, as well as the board, our office created a Deferred Revenue liability account to show ongoing balance of the capital fund contributions. As expenditures were incurred, the deferred revenue would be moved into 'earned' revenue on the Statement of Activity. Although the compliance was not in line with GASB standards, it provided the necessary reporting visibility to investors and donors. Going forward, we have made the auditor changes in our reporting on the financial statements and will utilize restricted cash as the visibility line item for donors.

The grants referenced here involve dollars that are received via the monthly state settlement or 'foundation' from Ohio Department of Education and Workforce. In order for the governing authority and school admin to appropriately budget and reference per pupil revenue, our office reports the Student wellness and English Learners portions as a sub account of general State revenues. We will continue to do so during the year for financial statement understanding of stakeholders, however we will do an end of year adjustment each year going forward to reclassify per auditor recommendation.

**Finding Number: 2024-002**
**Material Noncompliance – Student Enrollment and Data Reporting**

**Criteria:** Pursuant to Ohio Rev. Code (ORC) 3314.03(A)(6)(b) & (A)(27-28) community schools must adopt attendance and participation policies for their students and attendance records shall be made available to the Department of Education, Auditor of State, and the School's sponsor. The School has the required policy in place within the Student Handbook, which states that upon return to school, students must provide to the school a written statement from a parent of the cause for absence, or the absence will be considered unexcused.

**Condition:** The School was not able to provide the requested excused absence support for all five students tested as required by ORC 3314.03(A)(6)(b) & (A)(27-28) and the School's student handbook excused absence policy for the auditors to verify information reported through EMIS.

**Context:** The auditor made numerous requests to the School for supporting documentation of student excused absences. None of the requested support was provided to the auditor to verify the accuracy of information reported in EMIS.

**Cause:** The School was unable to provide supporting documentation for student excused absences.

**Effect:** Without proper supporting documentation, the School may be unable to support enrollment information reported through EMIS.

**Recommendation:** We recommend the School monitor procedures implemented over student absences to verify information reported in EMIS is accurate. We also recommend all supporting documentation required by the School's attendance policy be retained.

**Management's Response:** We acknowledge the finding regarding the lack of supporting documentation for student excused absences during the prior school year. This issue was the result of administrative oversight by the former school principal and school secretary, who did not follow the appropriate procedures for collecting and retaining documentation in accordance with our attendance policy. Both of these individuals are no longer employed at the school. We are committed to ensuring full compliance with our attendance policy and all state reporting requirements moving forward. Since the start of the current school year, the new principal and secretary have implemented corrective measures to ensure compliance. These include:

- Clear communication and assigning responsibility for attendance documentation to the school secretary
- Conducting training on attendance reporting and proper documentation practices
- Establishing internal checks to verify that excused absences are supported with appropriate records and accurately reported in EMIS.

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OHIO AUDITOR OF STATE
**KEITH FABER**

**GLOBAL AMBASSADORS LANGUAGE 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 6/24/2025**

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