



Dave Yost • Auditor of State



MENLO PARK ACADEMY  
CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Menlo Park Academy  
Cuyahoga County  
14440 Triskett Road  
Cleveland, Ohio 44111

To the Board of Directors:

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

We have audited the accompanying financial statements of the Menlo Park Academy, Cuyahoga County, Ohio, (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Menlo Park Academy, Cuyahoga County, Ohio, as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2016, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 9, 2016

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The discussion and analysis of the Menlo Park Academy (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

**FINANCIAL HIGHLIGHTS**

Key Financial Highlights for the School for the 2013-14 school year are as follows:

- Total Assets increased \$148,170.
- Total Liabilities decreased \$88,609.
- Total Net Position increased \$236,779.
- Total operating and non-operating revenues were \$2,672,945. Total operating expenses were \$2,436,166.

**USING THIS ANNUAL REPORT**

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's Net Position and changes in that position. This change in Net Position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during 2014. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's Net Position for fiscal year 2014 compared to fiscal year 2013.

**Table 1  
Statement of Net Position**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current Assets	\$ 1,075,796	\$ 897,725
Capital Assets, Net of Accumulated Depreciation	112,395	142,296
Total Assets	1,188,191	1,040,021
<b>Liabilities</b>		
Current Liabilities	138,845	227,454
Total Liabilities	138,845	227,454
<b>Net Position</b>		
Invested in Capital Assets	112,395	142,296
Restricted for Grants	-	2,729
Unrestricted	936,951	667,542
Total Net Position	\$ 1,049,346	\$ 812,567

Over time, Net Position can serve as a useful indicator of the School's financial position. At June 30, 2014, the School's net position totaled \$1,049,346.

Current assets represent cash and cash equivalents, accounts receivable and other assets. Current liabilities represent accounts payable, accrued wages and benefits, and withholdings payable at fiscal year-end.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Statement of Revenues, Expenses and Changes in Net Position**

Table 2 shows the changes in Net Position for fiscal year 2014 and 2013, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**Table 2  
Change in Net Position**

	<b>2014</b>	<b>2013</b>
<b>Operating Revenue</b>		
State Aid	\$ 2,230,936	\$ 1,991,931
Classroom Materials and Fees	207,643	168,136
Charges for Services	61,031	10,215
Other	28,936	177,465
Total Operating Revenues	2,528,546	2,347,747
 <b>Operating Expenses</b>		
Salaries	1,351,537	1,172,929
Fringe Benefits	318,242	299,994
Purchased Services	523,387	553,798
Materials and Supplies	117,754	158,080
Other	83,706	44,933
Depreciation	41,540	27,676
Total Operating Expenses	2,436,166	2,257,410
Operating Income	92,380	90,337
 <b>Non-Operating Revenues</b>		
Federal and State Grants	43,478	73,735
Interest Revenue	999	433
Fundraising and Donations	99,922	50,395
Capital Contributions	-	17,490
Total Non-Operating Revenues	144,399	142,053
 <b>Increase in Net Position</b>	<b>\$ 236,779</b>	<b>\$ 232,390</b>

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**BUDGETING HIGHLIGHTS**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided in the community school's contract with its Sponsor.

The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

**CAPITAL ASSETS**

At fiscal year end, the School's net capital asset balance was \$112,395. This balance represents current year additions of \$11,640 offset by current year depreciation of \$41,540. For more information on capital assets, see Note 5 of the Basic Financial Statements.

**CURRENT FINANCIAL ISSUES**

The School is a community school and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 14440 Triskett Avenue, Cleveland, OH 44111 or e-mail at [dave@massasolutionsllc.com](mailto:dave@massasolutionsllc.com).

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY**

**Statement of Net Position  
At June 30, 2014**

<b>Assets</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,022,965
Other Assets	20,378
Accounts Receivable	<u>32,453</u>
 Total Current Assets	 <u>1,075,796</u>
 <i>Noncurrent Assets:</i>	
<i>Capital Assets:</i>	
Depreciable Capital Assets, net	<u>112,395</u>
 Total Noncurrent Assets	 <u>112,395</u>
 Total Assets	 <u>1,188,191</u>
 <b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	3,575
Accrued Wages and Benefits	129,551
Withholdings Payable	<u>5,719</u>
 Total Liabilities	 <u>138,845</u>
 <b>Net Position</b>	
Invested in Capital Assets	112,395
Unrestricted	<u>936,951</u>
 Total Net Position	 <u>\$ 1,049,346</u>

See accompanying notes to the basic financial statements

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY**

**Statement of Revenues,  
Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2014**

**Operating Revenues**

State Aid	\$ 2,230,936
Classroom Materials and Fees	207,643
Charges for Services	61,031
Other	28,936
Total Operating Revenues	<u>2,528,546</u>

**Operating Expenses**

Salaries	1,351,537
Fringe Benefits	318,242
Purchased Services	523,387
Materials and Supplies	117,754
Other	83,706
Depreciation	41,540
Total Operating Expenses	<u>2,436,166</u>

**Operating Income** 92,380

**Non-Operating Revenues**

Federal and State Grants	43,478
Interest Revenue	999
Fundraising and Donations	99,922
Total Non-Operating Revenues	<u>144,399</u>

**Change in Net Position** 236,779

**Net Position, Beginning of Year** 812,567

**Net Position, End of Year** \$ 1,049,346

See accompanying notes to the basic financial statements

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from State of Ohio	\$ 2,230,936
Cash Received from Classroom Materials and Fees	168,544
Cash Received from Charges for Services	61,031
Cash Received from Other Operating Sources	20,991
Cash Payments to Suppliers for Goods and Services	(759,302)
Cash Payments to Employees for Services	(1,351,537)
Cash Payments for Employee Benefits	(366,491)
	<hr/>
Net Cash Provided by Operating Activities	4,172
<b><u>Cash Flows from Non-capital Financing Activities</u></b>	
Cash Received from Contributions and Donations	99,922
Cash Received from Federal and State Grants	43,478
	<hr/>
Net Cash Provided by Non-capital Financing Activities	143,400
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Acquisition of Capital Assets	(11,640)
	<hr/>
Net Cash Used in Capital and Related Financing Activities	(11,640)
<b><u>Cash Flows from Investing Activities</u></b>	
Cash Received from Interest	999
	<hr/>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>\$ 136,931</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>886,034</b>
	<hr/>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,022,965</b>
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**(Continued)**

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH (PROVIDED BY) OPERATING ACTIVITIES**

<b>Operating Income</b>	\$ 92,380
Depreciation	41,540
Changes in Assets and Liabilities:	
(Increase)/ Decrease in Accounts Receivable	(296)
(Increase)/ Decrease in Other Assets	(288)
Increase/ (Decrease) in Accounts Payable	(43,192)
Increase/ (Decrease) in Accrued Wages and Benefits	17,894
Increase/ (Decrease) in Withholdings Payable	5,719
Increase/ (Decrease) in Accrued Expenses	(70,487)
Increase/ (Decrease) in Deferred Revenue	(39,099)
	<hr/>
Net Cash Provided by Operating Activities	<u>\$ 4,172</u>

See accompanying notes to the basic financial statements

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**1. DESCRIPTION OF THE ENTITY**

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

MPA entered into a sponsorship agreement with Educational Service Center of Lake Erie West (the “Sponsor”) on September 16, 2008 amended as of July 1, 2011 for a period through June 30, 2021. The Sponsor is responsible for evaluating the performance of MPA and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. MPA also has an agreement with the Sponsor to act as fiscal agent. The contract is effective for 10 years, for the period July 1, 2011 to June 30, 2021. Acceleration of expiration date or renegotiation of the contract to be effective at the end of the 5th, 7th, or the 9th year of the contract. The contract to provide fiscal services was terminated effective July 1, 2013. Also, effective July 1, 2013, the School entered into a contract with Massa Financial Solutions, LLC to act as fiscal agent. The agreement is effective through June 30, 2016.

MPA operates under the direction of an eleven-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Governing Board controls MPA’s one instructional/support facility staffed by 9 noncertified and 27 certified personnel who provide services to students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic 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.

**A. Basis of Presentation**

The School’s basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes Net Position, financial position and cash flows.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation (Continued)**

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

Enterprise accounting uses a flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities are included on the statement of net position. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided for in the School's sponsorship agreement. The contract between the School and its Sponsor requires a detailed budget for each year of the contract.

**D. Cash and Cash Equivalents**

Cash received by the School is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2014.

**E. Estimates**

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

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from Net Position. Capital assets were \$112,395, as of June 30, 2014, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets which are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Computers & Technology Assets	3 years
Furniture, Fixtures, & Equipment	5 years
Textbooks	3 years
Leasehold Improvements	2-4 years

The School's policy for asset capitalization threshold is \$5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying Statement of Net Position.

**G. Intergovernmental Revenues**

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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.

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

Under the above programs the School recorded \$2,230,936 this fiscal year from the Foundation Program and \$43,478 from Federal and State grants.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Accrued Liabilities**

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable, accrued wages and benefits, and withholdings payable totaling \$138,845 at June 30, 2014.

**I. Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which the 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 expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

**J. Net Position**

Net Position represents the difference between assets and liabilities. Net Position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available. Net Position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

**K. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2014.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**3. CASH AND CASH EQUIVALENTS**

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures".

The School maintains its cash and investment balances at Huntington Bank, located in Cleveland Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$500,000. At June 30, 2014, the book amount of the School's deposits was \$1,022,965 and the bank balance was \$1,053,329, and of that amount, \$553,329 is uninsured and uncollateralized.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2014, none of the bank balance was exposed to custodial credit risk.

**4. RECEIVABLES**

**A. Accounts Receivable**

The School has accounts receivables totaling \$32,453 at June 30, 2014. These receivables represented monies earned, but not received as of year end.

**5. CAPITAL ASSETS**

For the fiscal year ended June 30, 2014, the School's capital assets consisted of the following:

	<u>Balance 07/01/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/14</u>
<b>Capital Assets:</b>				
Furniture, Fixtures, & Equipment	\$ 113,346	\$ 11,640	\$ -	\$ 124,986
Leasehold Improvements	82,714	-	-	82,714
<b>Total Capital Assets</b>	196,060	11,640	-	207,700
<b>Less Accumulated Depreciation:</b>				
Furniture, Fixtures, & Equipment	(30,276)	(29,640)	-	(59,916)
Leasehold Improvements	(23,489)	(11,900)	-	(35,389)
<b>Total Accumulated Depreciation</b>	(53,765)	(41,540)	-	(95,305)
<b>Capital Assets, Net</b>	<u>\$ 142,295</u>	<u>\$ (29,900)</u>	<u>\$ -</u>	<u>\$ 112,395</u>

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**6. RISK MANAGEMENT**

**A. Property & Liability**

MPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2014, MPA contracted with Wells Fargo Insurance Services and had the following insurance coverage:

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

MPA owns no real estate, but leases one facility located at 14440 Triskett Road, Cleveland, Ohio. Settlements have not exceeded claims in the last three fiscal years.

**B. Workers' Compensation**

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

**C. Employee Medical and Dental Benefits**

The School has contracted with a private carrier to provide employee medical and dental insurance to its full time employees.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**7. DEFINED BENEFIT PENSIONS PLANS**

**A. School Employees Retirement System (SERS Ohio)**

**Plan Description** – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$31,601, \$34,003, and \$23,097 respectively, which equaled the required contribution of the year or 100%.

**B. State Teachers Retirement System (STRS Ohio)**

**Plan Description** - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**7. DEFINED BENEFIT PENSIONS PLANS (Continued)**

**B. State Teachers Retirement System (STRS Ohio) (continued)**

**Plan Options** - New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Schools was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2014, 2013, and 2012 were \$142,667, \$115,755, and \$92,691 respectively, which is equal to 100 percent that has been contributed for fiscal year 2014. There were no contributions to the DC and Combined Plans for fiscal year 2014.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**8. POST EMPLOYMENT BENEFITS**

**A. School Employee Retirement System (SERS Ohio)**

**Plan Description** - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, .16 percent of covered payroll was allocated 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 according to service credit earned. Statute provides that no employer shall pay a health care surcharge greater than 2.0 percent of the employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes 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.

The School's contribution for health care (including surcharge) for the fiscal year ended June 30, 2014, 2013, and 2012 were \$4,319, \$3,175, and \$2,491 respectively; 100 percent has been contributed for fiscal year 2014.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**8. POST EMPLOYMENT BENEFITS (Continued)**

**A. School Employee Retirement System (SERS Ohio) (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal year ended June 30, 2014, 2013, and 2012 were \$1,833, \$1,921, and \$1,364 respectively; 100 percent has been contributed for fiscal year 2014.

**B. State Teachers Retirement System (STRS Ohio)**

**Plan Description** - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** -Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal year ended June 30, 2014, 2013, and 2012 were \$4,319, \$8,904 and \$7,130 respectively; 100 percent has been contributed for fiscal year 2014.

**9. CONTINGENCIES**

**A. Grants**

The School received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**B. Litigation**

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

**C. Full-Time Equivalency**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The 2014 FTE review resulted in no significant adjustments to the School's foundation funding.

**MENLO PARK ACADEMY  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**10. PURCHASED SERVICES**

For the period of July 1, 2013 through June 30, 2014, the School made the following purchased services commitments.

Professional and Technical Services	\$ 319,199
Property Services	113,168
Travel and Meetings	9,790
Utilities	31,961
Communications	16,150
Contractual Trade Services	4,388
Pupil Transportation	<u>28,731</u>
	<u>\$ 523,387</u>

**11. LEASE OBLIGATIONS**

MPA entered into an operating lease for the period June 1, 2009 through June 30, 2012 with Most Rev. Richard G. Lennon, Bishop of the Roman Catholic Diocese of Cleveland and Trustee for St. Mel Church to lease space to house MPA. This lease was amended in June 2010 to add additional space and extended the period of the lease through June 30, 2014. Payments made totaled \$109,121 for the fiscal year ended June 30, 2014. Rental increases at a rate of 3% over the rent paid the preceding year.

**12. SUBSEQUENT EVENTS**

**A. WEST 53<sup>RD</sup> HOLDINGS, LLC**

On December 4, 2014, West 53rd Holdings, LLC was formed by the School for the sole purpose of purchasing a building and renovating it for the School's use. West 53rd Holdings, LLC is a single member LLC whose sole member is the School. West 53rd Holdings, LLC only transactions will be those related to the building purchased and renovated for the School's use and will be included in the School's financial statements.

**B. BUILDING LOAN**

On October 6, 2015, West 53<sup>rd</sup> Holdings, LLC obtained a loan from the Illinois Facilities Fund (IFF) in the principal amount of \$475,000, for the purpose of renovating a building. The loan has an annual interest rate of 5.0% and matures on May 1, 2017.

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# Dave Yost • Auditor of State

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

Menlo Park Academy  
Cuyahoga County  
14440 Triskett Road  
Cleveland, Ohio 44111

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Menlo Park Academy, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 9, 2016.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 9, 2016



# Dave Yost • Auditor of State

**MENLO PARK ACADEMY**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 11, 2016**