

**Wildwood Environmental Academy
Lucas County**

**Financial Report
June 30, 2009**



Mary Taylor, CPA
Auditor of State

Board of Directors
Wildwood Environmental Academy
4660 S. Hagadorn Road, Suite 500
East Lansing, MI 48823

We have reviewed the *Independent Auditor's Report* of the Wildwood Environmental Academy, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 22, 2010

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Wildwood Environmental Academy

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Independent Auditor's Report

To the Board of Directors
Wildwood Environmental Academy

We have audited the accompanying basic financial statements of Wildwood Environmental Academy as of and for the year ended June 30, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2009 and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. We did not audit the information and express no opinion on it.

To the Board of Directors
Wildwood Environmental Academy

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2010 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

January 5, 2010



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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
Wildwood Environmental Academy

We have audited the financial statements of Wildwood Environmental Academy as of and for the year ended June 30, 2009 and have issued our report thereon dated January 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wildwood Environmental Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wildwood Environmental Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wildwood Environmental Academy's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors
Wildwood Environmental Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wildwood Environmental Academy's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be disclosed under *Government Auditing Standards*. We noted certain other matters that we have reported to the management of Wildwood Environmental Academy in a separate letter dated January 5, 2010.

This report is intended solely for the information and use of management, the board of directors, and the Sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 5, 2010

Wildwood Environmental Academy

Management's Discussion and Analysis

The discussion and analysis of Wildwood Environmental Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

The management's discussion and analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in its 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 in the MD&A.

Financial Highlights

- In total, net assets (deficit) decreased \$148,326, which represents a 275 percent decrease from 2008.
- Total assets decreased \$94,245, which represents a 39 percent decrease from 2008. This was primarily due to an increase in accumulated depreciation.
- Liabilities increased \$54,081, which represents an 18 percent increase from 2008. This increase was due primarily to an increase in contracts payable.

Using this Financial 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 deficit, a statement of revenues, expenses, and changes in net deficit, and a statement of cash flows.

Statement of Net Deficit

The statement of net deficit answers the question, "How did we do financially during 2009?" 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 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.

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Management's Discussion and Analysis (Continued)

Table I provides a summary of the Academy's net deficit for fiscal years 2009 and 2008:

TABLE I	June 30	
	2009	2008
Assets		
Current assets	\$ 55,921	\$ 52,953
Capital assets - Net	<u>90,983</u>	<u>188,196</u>
Total assets	146,904	241,149
Liabilities		
Current liabilities	227,078	137,386
Noncurrent liabilities	<u>122,114</u>	<u>157,725</u>
Total liabilities	<u>349,192</u>	<u>295,111</u>
Net Deficit		
Invested in capital assets - Net of related debt	(63,863)	(166)
Unrestricted	<u>(138,425)</u>	<u>(53,796)</u>
Total net deficit	<u>\$ (202,288)</u>	<u>\$ (53,962)</u>

Total assets decreased \$94,245. This was primarily due to an increase in accumulated depreciation. Cash decreased by \$12,580 from 2008 to 2009. Intergovernmental receivables increased by \$3,675 from 2008 to 2009, which was due to the timing of the receipt of grant funding. Capital assets, net of depreciation, decreased by \$97,213 from 2008 to 2009.

Wildwood Environmental Academy

Management's Discussion and Analysis (Continued)

Table 2 shows the changes in net deficit for fiscal years 2009 and 2008, as well as a listing of revenues and expenses.

TABLE 2	Year Ended June 30	
	2009	2008
Operating Revenues		
Foundation payments	\$ 1,210,117	\$ 1,163,806
Poverty-based assistance	129,907	124,786
Charges for services	12,183	11,471
Other	228	552
Nonoperating Revenues		
Federal grants	142,799	138,479
State grants	7,838	7,771
Total revenue	1,503,072	1,446,865
Operating Expenses		
Salaries	603,100	543,861
Fringe benefits	228,967	198,129
Purchased services	653,451	546,542
Materials and supplies	33,103	30,827
Depreciation (unallocated)	106,061	117,066
Other expenses	11,460	9,743
Nonoperating Expenses		
Interest	14,899	13,629
Taxes	357	4,605
Total expenses	1,651,398	1,464,402
Increase in Net Deficit	\$ (148,326)	\$ (17,537)

Net deficit increased by \$148,326. There was an increase in revenues of \$56,207 and an increase in expenses of \$186,996 from 2008. Of the increase in revenue, the foundation payments increased by \$46,311.

Wildwood Environmental Academy

Management's Discussion and Analysis (Continued)

Of the decrease in expenses, the expense for salaries increased by \$59,239 and the expense for fringe benefits increased \$30,838 from 2008. The expense for purchased services increased \$106,909. Depreciation expense decreased \$11,005.

Capital Assets

At the end of fiscal year 2009, the Academy had \$90,983 invested in leasehold improvements, furniture, fixtures, and equipment (net of depreciation), which represented a decrease of \$97,213 from 2008. Table 3 shows capital assets (net of depreciation) for fiscal years 2009 and 2008:

	2009	2008
Leasehold improvements	\$ 20,637	\$ 59,207
Furniture, fixtures, and equipment	70,346	128,989
Total capital assets	<u>\$ 90,983</u>	<u>\$ 188,196</u>

For more information on capital assets, see Note 5 to the basic financial statements.

Current Financial Issues

Wildwood Environmental Academy was formed in 2004 under a contract with the Ohio Council of Community Schools. During the 2008-2009 school year, there were 159 students enrolled in the Academy. The Academy receives most of its finances from state sources. Foundation payments (including Poverty Based Assistance) for fiscal year 2009 amounted to \$1,340,024.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, fiscal officer of Wildwood Environmental Academy, at 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or by email at don.ash@leonagroup.com.

Wildwood Environmental Academy

Statement of Net Deficit June 30, 2009

Assets

Current assets:

Cash (Note 3)	\$ 1,884
Intergovernmental receivables (Note 4)	20,730
Prepaid expenses	<u>33,307</u>

Total current assets 55,921

Noncurrent assets - Depreciable capital assets - Net (Note 5) 90,983

Total assets 146,904

Liabilities

Current liabilities:

Accounts payable	11,564
Contracts payable (Note 13)	182,782
Capital lease payable (Note 6)	<u>32,732</u>

Total current liabilities 227,078

Noncurrent liabilities - Capital lease payable (Note 6) 122,114

Total liabilities 349,192

Net Deficit

Invested in capital assets - Net of related debt	(63,863)
Unrestricted	<u>(138,425)</u>

Total net deficit \$ (202,288)

Wildwood Environmental Academy

Statement of Revenues, Expenses, and Changes in Net Deficit Year Ended June 30, 2009

Operating Revenues	
Foundation payments	\$ 1,210,117
Poverty-based assistance	129,907
Charges for services	12,183
Other revenues	<u>228</u>
Total operating revenues	1,352,435
Operating Expenses	
Salaries	603,100
Fringe benefits	228,967
Purchased services (Note 11)	653,451
Materials and supplies	33,103
Depreciation	106,061
Other	<u>11,460</u>
Total operating expenses	<u>1,636,142</u>
Operating Loss	(283,707)
Nonoperating Revenues (Expenses)	
Federal grants	142,799
State grants	7,838
Federal and state taxes	(357)
Interest	<u>(14,899)</u>
Total nonoperating revenues	<u>135,381</u>
Change in Net Deficit	(148,326)
Net Deficit - Beginning of year	<u>(53,962)</u>
Net Deficit - End of year	<u><u>\$ (202,288)</u></u>

Wildwood Environmental Academy

Statement of Cash Flows Year Ended June 30, 2009

Cash Flows from Operating Activities

Received from foundation payments	\$ 1,210,117
Received from poverty-based assistance	129,907
Received from other operating revenues	12,068
Payments to suppliers for goods and services	(644,059)
Payments to employees for services	(595,213)
Payments for employee benefits	<u>(222,435)</u>
Net cash used in operating activities	(109,615)

Cash Flows from Noncapital Financing Activities

Federal grants received	146,817
State grants received	7,838
Federal and state taxes	<u>(357)</u>
Net cash provided by noncapital financing activities	154,298

Cash Flows from Capital and Related Financing Activities

Interest payments and fiscal charges	(14,899)
Payments for capital acquisitions	(8,848)
Principal payments on capital lease obligation	<u>(33,516)</u>
Net cash used in capital and related financing activities	<u>(57,263)</u>

Net Decrease in Cash (12,580)

Cash - Beginning of year 14,464

Cash - End of year \$ 1,884

Wildwood Environmental Academy

Statement of Cash Flows (Continued) Year Ended June 30, 2009

Reconciliation of operating loss to net cash from operating activities:

Operating loss	\$ (283,707)
Adjustments to reconcile operating loss to cash from operating activities:	
Depreciation	106,061
Changes in assets and liabilities:	
Increase in receivables	(343)
Increase in prepaid expenses	(25,755)
Decrease in accounts payable	(10,582)
Increase in contracts payable	98,179
Total adjustments	<u>167,560</u>
Net cash used in operating activities	<u><u>\$ (116,147)</u></u>

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 1 - Description of the School and Reporting Entity

Wildwood Environmental Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression, and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students, and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, 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 other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

On April 2, 2003, the Academy was approved for operation under contract with the Ohio Council of Community Schools (the "Sponsor") for a period of four years through June 30, 2007. The contract has since been extended for a period of seven years through June 30, 2014. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2009 totaled approximately \$40,000.

The Academy operates under the direction of a five-member board of directors, which also is the governing board for another The Leona Group, LLC-managed school. The board of directors 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 board of directors controls the Academy's instructional/support facility staffed by 11 certified full-time teaching personnel who provide services to 159 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of the Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee and year-end fee (see Note 13).

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 2 - Summary of Significant Accounting Policies

The financial statements of Wildwood Environmental Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has also elected to follow private sector guidance issued after November 30, 1989 for its business-type activities. The more significant of the Academy's accounting policies are described below.

Basis of Presentation - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Academy's basic financial statements consist of a statement of net deficit, a statement of revenues, expenses, and changes in net deficit, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

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

Basis of Accounting - The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

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 unless specifically provided in the contract between the Academy and the Sponsor. The contract between the Academy and the Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

Intergovernmental Receivables - Receivables at June 30, 2009 consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

Prepaid Expenses - Payments made to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

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 fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,000 for furniture and equipment, land, and buildings, or any one item costing under \$1,000 alone but purchased in a group for over \$2,500. Software costing more than \$10,000 per application will also be capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset nor materially extend the life of the asset are charged to expense when incurred.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

All reported capital assets except land are depreciated. Improvements are depreciated over the lesser of their useful life or the term of the lease. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	4-5 years
Furniture, fixtures, and equipment	3-7 years

Net Deficit - Net deficit represents the difference between assets and liabilities. Invested in capital assets consists 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. The Academy has approximately \$155,000 in debt related to capital assets.

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

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Intergovernmental Revenues - The Academy currently participates in the State Foundation Program and the state Poverty Based Assistance (PBA) program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Tax Status - The Academy is exempt from taxes under §501(c)(3) of the Internal Revenue Code.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 3 - Deposits

The Academy has designated one bank for the deposit of its funds.

The Academy's deposits consist solely of checking and/or savings accounts at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is not subject to custodial credit risk.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk are used for the Academy's deposits; however, the Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. In October 2008, the FDIC implemented the "Transaction Account Guarantee Program" fully guaranteeing noninterest and some interest-bearing checking account balances through December 31, 2009, regardless of the amount in the account. At June 30, 2009, the Academy's deposit balance of \$17,699 had no bank deposits (checking and savings accounts) that were uninsured and uncollateralized.

Note 4 - Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables is as follows:

Title I	\$ 19,979
Title II-A	250
Child nutrition	23
Other	<u>478</u>
Total intergovernmental receivables	<u>\$ 20,730</u>

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Additions	Balance June 30, 2009
Business-type Activity			
Capital assets being depreciated:			
Leasehold improvements	\$ 295,206	\$ 5,500	\$ 300,706
Furniture, fixtures, and equipment	<u>246,670</u>	<u>3,348</u>	<u>250,018</u>
Total capital assets being depreciated	541,876	8,848	550,724
Less accumulated depreciation:			
Leasehold improvements	235,999	44,070	280,069
Furniture, fixtures, and equipment	<u>117,681</u>	<u>61,991</u>	<u>179,672</u>
Total accumulated depreciation	<u>353,680</u>	<u>106,061</u>	<u>459,741</u>
Total capital assets being depreciated - Net	<u>\$ 188,196</u>	<u>\$ (97,213)</u>	<u>\$ 90,983</u>

Note 6 - Long-term Debt

Debt activity during 2009 was as follows:

	Balance at July 1, 2008	Additions	Reductions	Balance at June 30, 2009	Due Within One Year
Capital lease payable - SMJ Properties, LLC	<u>\$ 188,362</u>	<u>\$ -</u>	<u>\$ (33,516)</u>	<u>\$ 154,846</u>	<u>\$ 32,732</u>

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 6 - Long-term Debt (Continued)

The Academy entered into a lease agreement as lessee for financing the purchase of leasehold improvements. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Total value of the capitalized leasehold improvements was \$265,300, with accumulated depreciation of \$256,860 at year end. The future minimum lease obligations and the net present value are as follows:

2010	\$	45,000
2011		45,000
2012		45,000
2013		<u>45,000</u>
Total minimum lease payments		180,000
Less amount representing interest		<u>25,154</u>
Present value of minimum lease payments	\$	<u><u>154,846</u></u>

Note 7 - Risk Management

Property and Liability - The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the Academy contracted with Willis North America, Inc. for general liability, property insurance, and educational errors and omissions insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Coverages are as follows:

Educational errors and omissions:

Per occurrence	\$	8,000,000
Total per year		8,000,000

General liability:

Per occurrence		1,000,000
Total per year		2,000,000
Vehicle		1,000,000

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 7 - Risk Management (Continued)

Workers' Compensation - The Academy pays the State Workers' 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.

Note 8 - Defined Benefit Pension Plans

School Employee Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer pension plan. SERS provides retirement and disability 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund healthcare benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. 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 Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$13,803, \$11,089, and \$3,650, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

State Teachers Retirement System

The Academy 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.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 8 - Defined Benefit Pension Plans (Continued)

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 of 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.

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$69,342, \$64,792, and \$67,770, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007. Contributions to the DC and combined plans for fiscal year 2008 were \$67,993 made by the Academy and \$48,566 made by the plan members.

Note 9 - Postemployment Benefits

School Employee Retirement System

The Academy participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a healthcare plan, and a Medicare Part B plan. The healthcare plan includes hospitalization and physicians' fees through several types of plans including HMOs, PPOs, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

State statute permits SERS to fund the healthcare 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 401(h). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$6,317.

Active employee members do not contribute to the Health Care Fund. Retirees and their beneficiaries are required to pay a healthcare premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6,317, \$5,060, and \$1,119, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007. The retirement board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,139, \$799, and \$32, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 9 - Postemployment Benefits (Continued)

State Teachers Retirement System

The Academy contributes to the cost-sharing, multiple-employer defined benefit health 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 or by calling (888) 227-7877.

Ohio law authorizes STRS Ohio to offer the plan and gives the retirement board authority over how much, if any, of the healthcare 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 postemployment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$5,334, \$4,984, and \$5,213, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

Note 10 - Contingencies

Grants - The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement 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 of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

State Funding - The Ohio Department of Education reviews enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For fiscal year 2009, the results of this review are not concluded. However, in the opinion of management, any changes to enrollment data will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 10 - Contingencies (Continued)

Property Taxes - The Academy has applied for an exemption from general property taxes. As of June 30, 2009, the exemption has not been granted; however, management believes that the exemption will be granted; therefore, the Academy has not paid nor recorded an accrued liability for its fiscal years 2006, 2007, 2008, and 2009 general property taxes, which total \$143,317 at June 30, 2009.

Note 11 - Purchased Service Expenses

For the year ended June 30, 2009, purchased service expenses were payments for services rendered by various vendors, as follows:

Repairs and maintenance	\$	26,704
Legal		3,391
Insurance		11,684
Advertising		4,958
Dues and fees		25,981
Ohio Council of Community Schools		40,150
The Leona Group, LLC (Note 13)		180,368
Cleaning services		22,634
Utility		42,461
Building lease agreement (Note 12)		84,504
Other professional services		206,221
Other rentals and leases		4,395
		<hr/>
Total purchased services	\$	<u>653,451</u>

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 12 - Operating Leases

On July 21, 2004, the Academy entered into a lease for the period from September 1, 2004 through August 31, 2009 with SMJ Properties LLC, with an annual rent of \$84,504 due in equal monthly installments beginning September 1, 2004, for the use of a school facility. Payments made under the lease totaled \$84,504 for the fiscal year. On February 26, 2009, the Academy extended the lease agreement for the period September 1, 2009 through August 31, 2014 with an annual rent of \$92,954 due in equal monthly installments beginning September 1, 2009. Under the lease agreement, the Academy is responsible for paying all utilities and applicable property taxes. The Academy has the option to terminate the lease at any time more than three years after commencement of the lease by giving SMJ Properties, LLC six months' prior written notice if either (i) any changes in any federal, state, or local law or regulation mandate the expenditure by lessee of \$100,000 or more to modify or improve the school facility and an acceptable lease amendment addressing that issue is not negotiated within the six-month period or (ii) actual funding from the State of Ohio is reduced to such an extent that the Academy permanently ceases operation, provided that the Academy has sought adequate funding.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2009:

Fiscal Years Ending June 30	Amount
2010	\$ 91,546
2011	92,954
2012	92,954
2013	92,954
2014	92,954
2015	15,493
Total minimum lease payments	<u>\$ 478,855</u>

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 13 - Management Agreement

The Academy entered into a contract, effective May 1, 2004 through June 30, 2007, with annual renewal options, with The Leona Group, LLC (TLG) for educational management services for all of the management, operation, administration, and education at the Academy. The management agreement was renewed effective August 8, 2007 for a period of seven years to continue through June 30, 2014. In exchange for its services, TLG receives a capitation fee of 12 percent of revenue and a year-end fee of 50 percent of the audited financial statement excess of revenues over expenses, if any. The Academy incurred a management fee totaling \$180,368 for the year ended June 30, 2009. At June 30, 2009, contracts payable include approximately \$86,000 for the payment of management fees and approximately \$97,000 for reimbursement of subcontracted employees and other operating costs. Terms of the contracts require TLG to provide the following:

- Management of all personnel functions, including professional development
- Operation of the school building and the installation of technology integral to school design
- All aspects of the business administration of the Academy
- The provision of food service for the Academy
- Any other function necessary or expedient for the administration of the Academy

The Academy may terminate this agreement with cause prior to the end of the term in the event that The Leona Group, LLC should fail to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from the Academy.

The Leona Group, LLC may terminate this agreement with cause prior to the end of the specified term in the event the Academy fails to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from The Leona Group, LLC.

In the event this agreement is terminated by either party prior to the end of the specified term, the termination will not become effective until the end of the school year following the notice of termination and The Leona Group, LLC shall provide the Academy reasonable assistance for up to 90 days to assist in the transition to a regular school program.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2009

Note 13 - Management Agreement (Continued)

For the year ended June 30, 2009, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

Direct expenses:

Salaries	\$ 603,098
Fringe benefits	222,434
Professional and technical services	43,426
Other direct costs	<u>19,397</u>
Total expenses	<u>\$ 888,355</u>

Note 14 - Management Plans

The Academy's student enrollments for the 2007-2008 school year and at the beginning of the 2008-2009 school year were substantially below the Academy's initial forecast and below the level necessary for the Academy to function financially without financial assistance from the management company.

The Academy has entered into an agreement with the management company, whereby the management company has agreed to provide sufficient working capital to enable the Academy to operate during 2009. In addition, the Academy has undertaken an extensive marketing campaign to increase enrollment during 2009.

Note 15 - Subsequent Events

Subsequent to year end, the Academy borrowed \$250,000 in a state aid note. The note bears interest at a variable annual interest rate equal to the prime rate adjusted monthly. The effective rate was 3.25 percent at January 5, 2010. The note, plus any accrued interest, is due on June 30, 2010.



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Independent Accountant's Report on Applying Agreed-upon Procedures

To the Board of Directors
Wildwood Environmental Academy
Lucas County
1546 Dartford Road
Maumee, Ohio 43537

Dear Board Members:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the board, solely to assist the board in evaluating whether Wildwood Environmental Academy (the “School”) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the board adopted an anti-harassment policy at its meeting on January 22, 2009.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events

To the Board of Directors
Wildwood Environmental Academy

- (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666
- (3) A procedure for reporting prohibited incidents
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident
- (6) A procedure for documenting any prohibited incident that is reported
- (7) A procedure for responding to and investigating any reported incident
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the information and use of the board and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Morse, PLLC

January 5, 2010



Mary Taylor, CPA
Auditor of State

**WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS 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
APRIL 1, 2010**