

**Wildwood Environmental Academy
Lucas County**

**Financial Report
June 30, 2010**



Dave Yost • Auditor of State

January 20, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST
Auditor of State

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Mary Taylor, CPA
Auditor of State

Board of Directors
Wildwood Environmental Academy
1546 Dartford Rd.
Maumee, Ohio 43537

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, 2009 through June 30, 2010. 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

January 6, 2011

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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 (the "Academy") as of and for the year ended June 30, 2010, 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, 2010 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 November 30, 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

November 30, 2010

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 (the "Academy") as of and for the year ended June 30, 2010 and have issued our report thereon dated November 30, 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 Wildwood Environmental Academy's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented or detected and corrected on a timely basis. 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 Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. 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.

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*.

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

November 30, 2010

Wildwood Environmental Academy

Management's Discussion and Analysis

The discussion and analysis of Wildwood Environmental Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. 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 Standards 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 increased \$14,631, which represents a 7 percent decrease in the deficit from 2009.
- Total assets increased \$18,520, which represents a 13 percent increase from 2009. This was primarily due to an increase in receivables for grant revenue.
- Liabilities increased \$3,889, which represents a 1 percent increase from 2009. 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 revenue, 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 2010?" 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 revenue and expenses during the year, regardless of when the cash is received or paid.

Wildwood Environmental Academy

Management's Discussion and Analysis (Continued)

Table I provides a summary of the Academy's net deficit for fiscal years 2010 and 2009:

TABLE I	June 30	
	2010	2009
Assets		
Current assets	\$ 77,586	\$ 55,921
Capital assets - Net	<u>87,838</u>	<u>90,983</u>
Total assets	165,424	146,904
Liabilities		
Current liabilities	268,994	227,078
Noncurrent liabilities	<u>84,087</u>	<u>122,114</u>
Total liabilities	<u>353,081</u>	<u>349,192</u>
Net Deficit		
Invested in capital assets - Net of related debt	(31,201)	(63,863)
Unrestricted	<u>(156,456)</u>	<u>(138,425)</u>
Total net deficit	<u>\$ (187,657)</u>	<u>\$ (202,288)</u>

Total net deficit was \$187,657 as of June 30, 2010. The footnotes to the financial statements provide information about management's plans to decrease the deficit. Total assets increased \$18,520. This was primarily due to an increase in receivables. Cash increased by \$8,989 from 2009 to 2010. Intergovernmental receivables increased by \$14,116 from 2009 to 2010, which was due to the timing of the receipt of grant funding. Capital assets, net of depreciation, decreased by \$3,145 from 2009 to 2010.

Wildwood Environmental Academy

Management's Discussion and Analysis (Continued)

Table 2 shows the changes in net deficit for fiscal years 2010 and 2009, as well as a listing of revenue and expenses.

TABLE 2	Year Ended June 30	
	2010	2009
Operating Revenue		
Foundation payments	\$ 1,112,538	\$ 1,210,117
Poverty-based assistance	141,381	129,907
Charges for services	9,532	12,183
Other	5,329	228
Nonoperating Revenue		
Federal grants	209,665	142,799
State grants	13,320	7,838
Donated capital assets and supplies	44,970	-
Total revenue	1,536,735	1,503,072
Operating Expenses		
Salaries	547,483	603,100
Fringe benefits	256,563	228,967
Purchased services	618,503	653,451
Materials and supplies	41,541	33,103
Depreciation (unallocated)	42,213	106,061
Other expenses	2,398	11,460
Nonoperating Expenses		
Interest	13,037	14,899
Taxes	366	357
Total expenses	1,522,104	1,651,398
Decrease (Increase) in Net Deficit	\$ 14,631	\$ (148,326)

Net deficit decreased by \$14,631. There was an increase in revenue of \$33,663 and an decrease in expenses of \$129,294 from 2009. Of the increase in revenue, the poverty-based assistance increased by \$11,474.

Wildwood Environmental Academy

Management's Discussion and Analysis (Continued)

Of the decrease in expenses, the expense for salaries decreased by \$55,617 and the expense for fringe benefits increased \$27,596 from 2009. The expense for purchased services decreased \$34,948. Depreciation expense decreased \$63,848.

Capital Assets

At the end of fiscal year 2010, the Academy had \$87,838 invested in leasehold improvements, furniture, fixtures, and equipment (net of depreciation), which represented a decrease of \$3,145 from 2009. Table 3 shows capital assets (net of depreciation) for fiscal years 2010 and 2009:

	2010	2009
Leasehold improvements	\$ 9,248	\$ 20,637
Furniture, fixtures, and equipment	78,590	70,346
Total capital assets	<u>\$ 87,838</u>	<u>\$ 90,983</u>

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

Current Financial Issues and Economic Factors

Wildwood Environmental Academy was formed in 2004 under a contract with the Ohio Council of Community Schools. During the 2009-2010 school year, there were 155 students enrolled in the Academy. The Academy receives most of its finances from state sources. Foundation payments (including poverty-based assistance) for fiscal year 2010 amounted to \$1,253,919.

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 90 percent of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue. The impact on the Academy of the State's projected revenue is not known.

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, 2010

Assets

Current assets:	
Cash (Note 3)	\$ 10,873
Intergovernmental receivables (Note 4)	31,229
Prepaid expenses	<u>35,484</u>
Total current assets	77,586
Noncurrent assets - Depreciable capital assets - Net (Note 5)	<u>87,838</u>
Total assets	165,424

Liabilities

Current liabilities:	
Accounts payable	22,212
Contracts payable (Note 13)	177,023
Capital lease payable (Note 6)	34,952
Deferred revenue	<u>34,807</u>
Total current liabilities	268,994
Noncurrent liabilities - Capital lease payable (Note 6)	<u>84,087</u>
Total liabilities	<u>353,081</u>

Net Deficit

Invested in capital assets - Net of related debt	(31,201)
Unrestricted	<u>(156,456)</u>
Total net deficit	<u>\$ (187,657)</u>

Wildwood Environmental Academy

Statement of Revenue, Expenses, and Changes in Net Deficit Year Ended June 30, 2010

Operating Revenue	
Foundation payments	\$ 1,112,538
Poverty-based assistance	141,381
Charges for services	9,532
Other revenue	<u>5,329</u>
Total operating revenue	1,268,780
Operating Expenses	
Salaries	547,483
Fringe benefits	256,563
Purchased services (Note 11)	618,503
Materials and supplies	41,541
Depreciation	42,213
Other	<u>2,398</u>
Total operating expenses	<u>1,508,701</u>
Operating Loss	(239,921)
Nonoperating Revenue (Expenses)	
Federal grants	209,665
State grants	13,320
Donated capital assets and supplies	44,970
Federal and state taxes	(366)
Interest	<u>(13,037)</u>
Total nonoperating revenue	<u>254,552</u>
Change in Net Deficit	14,631
Net Deficit - Beginning of year	<u>(202,288)</u>
Net Deficit - End of year	<u>\$ (187,657)</u>

Wildwood Environmental Academy

Statement of Cash Flows Year Ended June 30, 2010

Cash Flows from Operating Activities

Received from foundation payments	\$ 1,112,538
Received from poverty-based assistance	141,381
Received from other operating revenue	10,082
Payments to suppliers for goods and services	(640,491)
Payments to employees for services	(555,019)
Payments for employee benefits	<u>(256,563)</u>
Net cash used in operating activities	(188,072)

Cash Flows from Noncapital Financing Activities

Proceeds from notes payable	-
Interest payments and fiscal charges	-
Payments on notes payable	-
Federal grants received	238,752
State grants received	13,320
Federal and state taxes	<u>(366)</u>
Net cash provided by noncapital financing activities	251,706

Cash Flows from Capital and Related Financing Activities

Interest payments and fiscal charges	(13,037)
Payments for capital acquisitions	(5,801)
Principal payments on capital lease obligation	<u>(35,807)</u>
Net cash used in capital and related financing activities	<u>(54,645)</u>

Net Increase in Cash 8,989

Cash - Beginning of year 1,884

Cash - End of year \$ 10,873

Noncash Capital and Financing Activities - During the year ended June 30, 2010, the Academy received \$33,267 of donated capital assets.

Wildwood Environmental Academy

Statement of Cash Flows (Continued) Year Ended June 30, 2010

Reconciliation of operating loss to net cash from operating activities:

Operating loss	\$ (239,921)
Adjustments to reconcile operating loss to cash from operating activities:	
Depreciation	42,213
Donated materials and supplies	11,703
Changes in assets and liabilities:	
Increase in receivables	(4,779)
Increase in prepaid expenses	(2,177)
Increase in accounts payable	10,648
Decrease in contracts payable	<u>(5,759)</u>
Total adjustments	<u>51,849</u>
Net cash used in operating activities	<u><u>\$ (188,072)</u></u>

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2010

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, 2010 totaled approximately \$46,000.

The Academy operates under the direction of a five-member board of directors, which also is the governing board for another 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 155 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, 2010

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 revenue 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 revenue, 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., revenue) 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, 2010

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, 2010 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, 2010 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, 2010

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 \$119,000 in debt related to capital assets.

Operating Revenue and Expenses - Operating revenue is the revenue that is generated directly from the primary activities. For the Academy, this revenue is primarily foundation payments and federal stabilization funds received in lieu of foundation payments. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenue 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 Revenue - The Academy currently participates in the State Foundation Program and the state Poverty Based Assistance (PBA) program. Revenue received from these programs is recognized as operating revenue 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, 2010

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. At June 30, 2010, the Academy's deposit balance of \$15,125 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	\$	15,611
Title II-A		992
Special Education		9,368
Other		<u>5,258</u>
Total intergovernmental receivables	\$	<u>31,229</u>

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Business-type Activity				
Capital assets being depreciated:				
Leasehold improvements	\$ 300,706	\$ -	\$ -	\$ 300,706
Furniture, fixtures, and equipment	<u>250,018</u>	<u>39,068</u>	<u>(1,904)</u>	<u>287,182</u>
Total capital assets being depreciated	550,724	39,068	(1,904)	587,888
Less accumulated depreciation:				
Leasehold improvements	280,069	11,389	-	291,458
Furniture, fixtures, and equipment	<u>179,672</u>	<u>30,824</u>	<u>(1,904)</u>	<u>208,592</u>
Total accumulated depreciation	<u>459,741</u>	<u>42,213</u>	<u>(1,904)</u>	<u>500,050</u>
Total capital assets being depreciated - Net	<u>\$ 90,983</u>	<u>\$ (3,145)</u>	<u>\$ -</u>	<u>\$ 87,838</u>

The Academy received \$33,267 of assets donated by an academy under common management during the year ended June 30, 2010. The assets were recorded at the net book value of the donating academy, as an appraisal was not obtained and the net book value is believed to be an approximation of the true fair value.

Note 6 - Long-term Debt

Debt activity during 2010 was as follows:

	Balance at July 1, 2009	Additions	Reductions	Balance at June 30, 2009	Due Within One Year
Capital lease payable - SMJ Properties, LLC	\$ 154,846	\$ -	\$ (35,807)	\$ 119,039	\$ 34,952

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2010

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, which was fully depreciated at year end. The future minimum lease obligations and the net present value are as follows:

2011	\$	45,000
2012		45,000
2013		<u>45,000</u>
Total minimum lease payments		135,000
Less amount representing interest		<u>15,961</u>
Present value of minimum lease payments		<u>\$ 119,039</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 2010, 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, 2010

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 Employees' Retirement System

Plan Description - 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 may be obtained by writing to the School Employees' Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2010, 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 2010, 12.78 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, 2010, 2009, and 2008 were \$13,803, \$18,633, and \$11,089, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

State Teachers Retirement System

Plan Description - 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 website at www.strsoh.org.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2010

Note 8 - Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans: a defined benefit plan (DBP), a defined contribution plan (DCP), and a combined plan (CP). The DBP 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 DCP 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 CP offers features of both the DCP and the DBP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age 60; the DCP 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 DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, 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, 2010, 2009, and 2008 were \$77,873, \$69,342, and \$64,792, respectively; 94 percent has been contributed for fiscal year 2010, 100 percent for fiscal years 2009 and 2008. Contributions to the DC and combined plans for fiscal year 2010 were \$82,426 made by the Academy and \$58,875 made by the plan members.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2010

Note 9 - Postemployment Benefits

School Employees' Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple-employer defined benefit OPEB plans administered by the School Employees' Retirement System for classified 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.

Funding Policy - 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 fiscal year 2010, 0.46 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 2010, this amount was \$2,291.

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, 2010, 2009, and 2008 were \$671, \$6,317, and \$5,060, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The retirement board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,108, \$1,139, and \$799, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2010

Note 9 - Postemployment Benefits (Continued)

State Teachers Retirement System

Plan Description - 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.

Funding Policy - 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 fiscal year 2010, 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, 2010, 2009, and 2008 were \$5,990, \$5,334, and \$4,984, respectively; 94 percent has been contributed for fiscal year 2010, 100 percent for fiscal years 2009 and 2008.

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, 2010.

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2010

Note 10 - Contingencies (Continued)

Property Taxes - The Academy has applied for an exemption from general property taxes. As of June 30, 2010, 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, 2009, and 2010 general property taxes, which total \$183,542 at June 30, 2010.

Note 11 - Purchased Service Expenses

For the year ended June 30, 2010, purchased service expenses were payments for services rendered by various vendors, as follows:

Repairs and maintenance	\$	33,814
Legal		938
Insurance		14,456
Advertising		6,850
Dues and fees		20,291
Ohio Council of Community Schools		45,771
The Leona Group, LLC (Note 13)		178,394
Cleaning services		17,494
Utility		35,012
Building lease agreement (Note 12)		91,546
Other professional services		169,713
Other rentals and leases		4,224
		<hr/>
Total purchased services	\$	<u>618,503</u>

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2010

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. On February 26, 2009, the Academy extended the lease agreement for the period from September 1, 2009 through August 31, 2014 with an annual rent of \$92,954 due in equal monthly installments beginning September 1, 2009. Payments made under the lease totaled \$91,546 for the fiscal year. 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.

On June 25, 2010, the Academy entered into a lease for the period from July 1, 2010 through June 30, 2011 with Hess Family Ltd, with an annual rent of \$108,522, for a second campus to include grades 6 through 12.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2010:

Fiscal Years Ending June 30	Amount
2011	\$ 201,476
2012	92,954
2013	92,954
2014	92,954
2015	15,493
Total minimum lease payments	<u>\$ 495,831</u>

Wildwood Environmental Academy

Notes to Financial Statements June 30, 2010

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 revenue over expenses, if any. The Academy incurred a management fee totaling \$178,394 for the year ended June 30, 2010. At June 30, 2010, contracts payable include approximately \$42,000 for the payment of management fees and approximately \$135,000 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, 2010

Note 13 - Management Agreement (Continued)

For the year ended June 30, 2010, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

Direct expenses:

Salaries	\$ 547,483
Fringe benefits	256,563
Professional and technical services	199,645
Other direct costs	<u>10,105</u>
Total expenses	<u>\$ 1,013,796</u>

Note 14 - Management Plans

The Academy's student enrollment for the 2009-2010 school year was below the Academy's initial forecast and below the level necessary for the Academy to function financially without assistance from the management company.

The Academy has been provided the opportunity to expand its operations to educate additional students in grades 7, 8, 9, 10, 11, and 12. An extensive marketing campaign is in place. The enrollment has increased significantly. Additional training has occurred with the school leader to ensure fiscal accountability.

Note 15 - Subsequent Events

Subsequent to year end, the Academy borrowed \$400,000 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 September 15, 2010. The note plus any accrued interest is due on June 30, 2011.



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
JANUARY 20, 2011**