Newburgh Heights Community School Foundation, Inc. dba Washington Park Community School, Cuyahoga County

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Basic Financial Statements

Fiscal Years Ended June 30, 2008 and 2007

Mary Taylor, CPA
Auditor of State

Board of Directors
Newburgh Heights Community School Foundation, Inc
dba Washington Park Community School
4000 Washington Park Blvd
Newburgh Heights, Ohio 44106

We have reviewed the *Independent Auditor's Report* of the Newburgh Heights Community School Foundation, Inc dba Washington Park Community School, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 Newburgh Heights Community School Foundation, Inc dba Washington Park Community School is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 3, 2008

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NEWBURGH HEIGHTS COMMUNITY SCHOOL FOUNDATION, INC., DBA
WASHINGTON PARK COMMUNITY SCHOOL
CUYAHOGA COUNTY

For the Fiscal Years Ended June 30, 2008 and 2007
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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

October 24, 2008

The Board of Directors
Newburgh Heights Community School Foundation, Inc., dba
Washington Park Community School
4000 Washington Park Boulevard
Newburgh Heights, Ohio 44106

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Washington Park Community School (the School), as of and for the year ending June 30, 2008, which comprises the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Washington Park Community School, as of June 30, 2008, and the respective 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 are not a required part of the basic financial statements but is supplementary 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

The discussion and analysis of Newburgh Heights Community School Foundation, Inc., dba Washington Park Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008 and 2007. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the Notes to the Basic Financial Statements and the Basic Financial Statements to enhance their understanding of the School's financial performance.

Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. Due to the comparative presentation within the basic financial statements, a comparison analysis between fiscal year 2007 and fiscal year 2006 is also required.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets increased $16,277, which represents a 2.4% increase from 2007. This increase is due primarily to an increase in federal and state subsidies and a decrease in payroll expenses.

- Total assets decreased $2,417, which represents a 0.3% decrease from 2007. This decrease is due primarily to a decrease in capital assets of approximately $1,500. This decrease reflects depreciation expense exceeding additional purchases.

- Liabilities, which are made up of accrued wages and benefits and accounts payable, decreased $18,694, which represents a 9.8% decrease from 2007. This decrease is primarily due to the accrual for Salary, Wages and Benefits decreasing from 2007.

- Operating revenues increased by $80,787, which represents a 4.9% increase from 2007. The majority of this increase is due to increased enrollment resulting in increased state funding.

- Operating expenses decreased by $6,306, which represents a .3% decrease from 2007. Operating expense decreases are due primarily to a decrease in salaries.

- Non-operating revenues increased by $37,332, which represents a 13.3% increase from 2007. This increase is due to increased State and Federal grants.

Using this Annual Financial Report

This annual report consists of three parts, the Management's Discussion and Analysis, the Basic Financial Statements and the Notes to the Basic Financial Statements. The Basic Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Statement of Net Assets

The following schedule provides a summary of the School's Statement of Net Assets for fiscal years ended June 30, 2008, 2007 and 2006:

	2008	2007	2006
Assets			
Current assets:			
Equity in pooled cash and investments	$ 609,029	$ 650,933	$ 593,340
Due from other governments	46,238	5,247	5,826
Total current assets	655,267	656,180	599,166
Noncurrent assets:			
Capital assets (net of accumulated depreciation)	224,684	226,188	278,462
Total assets	879,951	882,368	877,628
Liabilities			
Current liabilities:			
Accounts payable	5,228	0	0
Accrued wages and benefits	165,957	189,879	76,991
Total current liabilities	171,185	189,879	76,991
Net Assets			
Invested in capital assets, net of related debt	224,684	226,188	278,462
Unrestricted	484,082	466,301	522,175
Total net assets	$ 708,766	$ 692,489	$ 800,637

In 2008, net assets increased $16,277 and in 2007, net assets decreased $108,148. The increase is primarily due to increased State and Federal subsidies and grants and the decrease is due to increasing payroll expenses. For assets, cash decreased $41,904 in 2008 and increased $57,593 in 2007; due from other governments increased $40,991 in 2008 and decreased $579 in 2007; and capital assets decreased $1,504 in 2008 and $52,274 in 2007. For liabilities, accrued wages and benefits decreased $23,922 in 2008 and increased by $112,888 in 2007. Accounts payable increased $5,228 in 2008 and $-0- in 2007.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets report operating and nonoperating activities for the fiscal years ended June 30, 2008 and 2007.

The following schedule provides a summary of the School's Statement of Revenues, Expenses and Changes in Net Assets for fiscal years ended June 30, 2008, 2007 and 2006:

	2008	2007	2006
Revenues			
Foundation and DPIA Revenues	$ 1,697,192	$ 1,619,005	$ 1,587,240
Other Operating Revenue	15,856	13,172	14,194
Federal and State Grants	298,697	266,936	241,181
Investment income	18,919	13,348	0
Charges for services	1,032	1,116	0
Total Revenues	2,031,696	1,913,577	1,842,615
Expenses			
Salaries	1,086,372	1,169,745	957,700
Fringe Benefits	313,030	269,133	179,137
Purchased Services	372,815	339,086	241,713
Materials and Supplies	130,790	127,172	144,079
Depreciation	56,091	63,380	54,007
Other Operating Expenses	56,321	53,209	44,828
Total Expenses	2,015,419	2,021,725	1,621,464
Net Income	16,277	(108,148)	221,151
Net Assets at Beginning of Year	692,489	800,637	579,486
Net Assets at End of Year	$ 708,766	$ 692,489	$ 800,637

Net assets increased in fiscal years ended June 30, 2008 and 2006 and decreased for fiscal year ended June 30, 2007. This is due, in part, to increased revenues generated from the increase in enrollment in 2008, 2007 and 2006, and also Disadvantaged Pupil Impact Aid (DPIA) funding. Although certain expenditures such as salaries will increase as the number of classes increase, other costs remain fixed such as facilities costs resulting in more efficient operations. The increased student population has been the result of additional grade levels. The school does not presently intend to add more grade levels, so the increase in revenues will probably not increase in the near future. For that reason, school management is wary of the increasing bottom line and plans to begin an investment program to most appropriately capitalize on present assets.

The most significant increases in revenues is State Foundation funding and DPIA, which increased $78,187 in 2008 and $31,765 in 2007; Other Operating Revenues increased $2,684 in 2008 and decreased by $1,022 in 2007; and Federal and State Grants increased $31,761 in 2008 and $25,755 in 2007 primarily due to enrollment increases.

Salaries and Fringe Benefits decreased $39,476 in 2008 and increased $302,041 in 2007 due to additional staffing and annual increases. Purchased Services increased $33,729 in 2008 and $97,373 in 2007. Materials and Supplies increased $3,618 in 2008 and decreased by $16,907 in 2007. Depreciation decreased $7,289 in 2008 and increased $9,373 in 2007 due to depreciation expense exceeding additional purchases in 2008 and an increase in capital assets in 2007.

Capital Assets

As of June 30, 2008, the School had capital assets of $224,684 invested in furniture and equipment and leasehold improvements. This is a $1,504 decrease over June 30, 2007. This was primarily the result of the recognition of depreciation expense.

The following schedule provides a summary of the School's capital assets as of June 30, 2008, 2007 and 2006:

	2008	2007	2006
Capital Assets (Net of Depreciation)			
Furniture and Equipment	$ 78,005	$ 46,803	$ 53,514
Leasehold Improvements	146,679	179,385	224,948
Net Capital Assets	$ 224,684	$ 226,188	$ 278,462

For more information on capital assets, see Note IV of the Notes to the Basic Financial Statements.

Current Financial Issues

Washington Park Community School had a total of 234 students, 16 teaching staff members and expenses of $2,015,419 for fiscal year ended June 30, 2008. As the School matures, we strive to maintain the high level of services we currently offer, to provide a strong educational product to our students and families and to maintain the reputation we have developed during these initial years.

Contacting the School's Financial Management

This financial report is designed to provide our constituents with a general overview of the School's finances and to show the School's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact Ms. Beth Hargreaves, Treasurer, Newburgh Heights Community School Foundation, Inc., dba Washington Park Community School, 4000 Washington Park Boulevard, Newburgh Heights, Ohio 44105.

Newburgh Heights Community School Foundation, Inc., dba
Washington Park Community School
Statements of Net Assets
June 30, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Equity in pooled cash	$ 609,029	$ 650,933
Due from other governments	46,238	5,247
Total current assets	655,267	656,180
Noncurrent assets:		
Capital assets (net of accumulated depreciation)	224,684	226,188
Total assets	879,951	882,368
Liabilities		
Current liabilities:		
Accounts payable	5,228	0
Accrued wages and benefits	165,957	189,879
Total current liabilities	171,185	189,879
Net assets		
Invested in capital assets	224,684	226,188
Unrestricted	484,082	466,301
Total net assets	$ 708,766	$ 692,489

See accompanying notes to the basic financial statements.

Newburgh Heights Community School Foundation, Inc., dba
Washington Park Community School
Statements of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2008 and 2007

		2008		2007
Operating revenues				
Foundation payments	$	1,697,192	$	1,619,005
Charges for services		1,032		1,116
Other operating revenues		15,856		13,172
Total operating revenues		1,714,080		1,633,293
Operating expenses				
Salaries		1,086,372		1,169,745
Fringe benefits		313,030		269,133
Purchased services		372,815		339,086
Materials and supplies		130,790		127,172
Depreciation		56,091		63,380
Other operating expenses		56,321		53,209
Total operating expenses		2,015,419		2,021,725
Operating income (loss)		(301,339)		(388,432)
Non operating revenues (expenses)				
Federal and State subsidies		298,697		266,936
Investment income		18,919		13,348
Total non-operating revenues (expenses)		317,616		280,284
Change in net assets		16,277		(108,148)
Net assets at beginning of year		692,489		800,637
Net assets and the end of the year	$	708,766	$	692,489

See accompanying notes to the basic financial statements.

Newburgh Heights Community School Foundation, Inc., dba
Washington Park Community School
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Increase (decrease) in cash		
Cash flows from operating activities:		
Cash received from State of Ohio	$ 1,656,201	$ 1,619,584
Cash payments to suppliers for goods and services	(498,377)	(466,258)
Cash payments to employees for services	(1,423,324)	(1,325,990)
Other operating revenues	16,888	14,288
Other operating expenses	(56,321)	(53,209)
Net cash provided by (used for) operating activities	(304,933)	(211,585)
Cash flows from non-capital financing activities:		
Federal and State grants received	298,697	266,936
Net cash provided by (used for) non-capital activities	298,697	266,936
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(54,587)	(11,106)
Net cash provided by (used for) capital and related financing activities	(54,587)	(11,106)
Cash flows from investing activities:		
Investment earnings	18,919	13,348
Net cash provided by (used for) investing activities	18,919	13,348
Net increase (decrease) in cash and cash equivalents	(41,904)	57,593
Cash and cash equivalents at beginning of year	650,933	593,340
Cash and cash equivalents at end of year	$ 609,029	$ 650,933
Reconciliation of operating income (loss) to net cash Provided By (Used For) Operating Activities:		
Operating income (loss)	$ (301,339)	$ (388,432)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	56,091	63,380
(Increase) decrease in assets:		
Due from other governments	(40,991)	579
Increase (decrease) in liabilities:		
Accounts payable	5,228	0
Accrued wages and benefits	(23,922)	112,888
Total adjustments	(3,594)	176,847
Net cash provided by (used for) operating activities	$ (304,933)	$ (211,585)

See accompanying notes to the basic financial statements.

I. Description of the School and Reporting Entity

Newburgh Heights Community School Foundation, Inc., dba, Washington Park Community School (the "School") is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new start-up school in Cleveland Municipal School. The School, which is part of the State's education program, is independent of any School and is nonsectarian in its programs, admission policies, employment practices and all other operations. The School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the School. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The School was reassigned for operation under a contract with the Ohio Department of Education to the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing in the 2006 academic year. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a self-appointing, five-member Board of Trustees (the "Board"). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the School's one instructional/support facility staffed by 15 non-certificated employees and 16 certificated full-time teaching personnel who provide services to approximately 234 students.

II. Summary of Significant Accounting Policies

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The School has elected not to follow FASB guidance for its proprietary activities issued after November 30, 1989.

The following are the most significant of the School's accounting policies.

1. 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.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its 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 Assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the financial records and reported in the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

3. Cash

All monies received are deposited in demand deposit accounts.

4. 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, except section 5705.391 which requires the School to prepare a five year projection of operational revenues and expenditures.

5. Due From Other Governments

Monies due the School for the year ended June 30, 2008 and 2007 are recorded as "Due From Other Governments". A current asset for the receivable is recorded at the time of the event causing the monies to be due.

6. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The School does not possess any infrastructure.

Leasehold improvements are also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment and leasehold improvements is computed using the straight-line method over their estimated lives. All items with a useful life of one year or greater and a value of $1,000 or more are capitalized. The School will also capitalize any purchases that are considered a "controlled" type asset per school policy, although it may be valued at less than $1,000.

Capital Asset Classification	Years
Furniture and Equipment	5 - 10
Leasehold Improvements	5 - 39

7. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Poverty Aid Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

Amounts awarded under the above named programs for the 2008 and 2007 school years totaled $1,995,889 and $1,885,941 respectively.

8. Compensated Absences

Vacation is taken in a manner which corresponds with the School calendar; therefore, the School does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one day per month and cannot be carried into the subsequent year. No accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

9. Use of Estimates

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

10. Implementation of New Accounting Policies

For the year ended 2008, the School has implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*", GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*", and GASB Statement No. 50, *"Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27."*

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*", and GASB Statement *No. 27, "Accounting for Pensions by State and Local Governmental Employers"*, to conform with requirements of GASB Statement *No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", and GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*".

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School.

III. Deposits and Investments

At fiscal years ended June 30, 2008 and 2007, the carrying amount of the School's deposits totaled $609,029 and $650,933, respectively and its bank balances were $668,304 and $708,377, respectively. Of the bank balances:

1. $400,068 was covered by the Federal Depository Insurance Corporation for fiscal year ended June 30, 2008 and $200,000 for fiscal year ended June 30, 2007. The Ohio Depository Act stipulates that FirstMerit Bank pledge collateral for the deposits of the School in a pool of securities under Section 135.181 of the Ohio Revised Code.

2. $268,236 and $508,377 was uninsured and uncollateralized for fiscal years ended June 30, 2008 and 2007. Although the securities serving as collateral were held by the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School.

Credit Risk: The School had no investments either of the fiscal years.

Concentration of Credit Risk: The School places no limit on the amount the School may invest in any one issuer. Deposits are either covered by the Federal Depository Insurance Corporation or secured with pledged collateral, held and in the name of the pledging institution, in which the investments are held.

Protection of School's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

IV. Capital Assets

A summary of the School's capital assets at June 30, 2008 and 2007 follows:

	Balance 07/01/07	Additions	Deletions	Transfers	Balance 06/30/08
Capital Assets, Being Depreciated:					
Furniture and Equipment	$ 93,019	$ 54,587	$ 0	$ 0	$ 147,606
Leasehold Improvements	354,633	0	0	0	354,633
Total Capital Assets, Being Depreciated	447,652	54,587	0	0	502,239
Less Accumulated Depreciation:					
Furniture and Equipment	(46,216)	(23,385)	0	0	(69,601)
Leasehold Improvements	(175,248)	(32,706)	0	0	(207,954)
Total Accumulated Depreciation	(221,464)	(56,091)	0	0	(277,555)
Total Capital Assets, Net	$ 226,188	$ (1,504)	$ 0	$ 0	$ 224,684

	Balance 07/01/06	Additions	Deletions	Transfers	Balance 06/30/07
Capital Assets, Being Depreciated:					
Furniture and Equipment	$ 81,913	$ 11,106	$ 0	$ 0	$ 93,019
Leasehold Improvements	354,633	0	0	0	354,633
Total Capital Assets, Being Depreciated	436,546	11,106	0	0	447,652
Less Accumulated Depreciation:					
Furniture and Equipment	(28,399)	(17,817)	0	0	(46,216)
Leasehold Improvements	(129,685)	(45,563)	0	0	(175,248)
Total Accumulated Depreciation	(158,084)	(63,380)	0	0	(221,464)
Total Capital Assets, Net	$ 278,462	$ (52,274)	$ 0	$ 0	$ 226,188

V. Purchased Services

For the following fiscal year ended, purchased services reported on the Statement of Revenues, Expenses, and Changes in Net Assets consisted of the following:

	2008	2007
Consulting Fees	$ 144,281	$ 141,843
General Services	228,534	197,243
Total	$ 372,815	$ 339,086

VI. Risk Management

1. Property and Liability Insurance

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the School contracted with Indiana Insurance Company for property and general liability insurance with a $2,000,000 aggregate limit.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

2. Workers' Compensation

The School makes premium payments to the State Workers' Compensation System for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

3. Employee Medical, Dental and Vision Benefits

The School has contracted with a private carrier to provide its full-time salaried employees medical/surgical benefits. The School paid premiums, up to $250 per month per employee, for this coverage.

VII. Defined Benefit Pension Plans

1. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School's contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were $19,326, $33,780 and $27,504, respectively; 60 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

2. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. 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. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 quality for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member 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, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), 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 employer contributions.

The School's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006 were $97,372, $83,217 and $78,739, respectively; 74 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $7,013 made by the School District and $11,247 made by the plan members.

3. Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2% of wages paid.

VIII. Post Employment Benefits

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio ("STRS Ohio"), and to retired non-certified employees and their dependents through the School Employees Retirement System ("SERS"). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The School's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were $10,101, $7,281 and $6,808, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was $4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were $265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was $93.50; SERS' reimbursement to retirees was $45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68 percent. The School's contributions for the year ended June 30, 2008 were $780, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans,

respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.
The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School's contributions for the years ended June 30, 2008, 2007 and 2006 were $7,070, $10,716 and $11,930, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (the latest information available), the minimum compensation level was established at $35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

IX. Jointly Governed Organizations

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 Schools. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Educational Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the years ended June 30, 2008 and 2007, the School paid $5,797 and $5,946, respectively to SPARCC for basic service charges.

X. Contingencies

1. Grants

The School received financial assistance form 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 are subject to audit by the grantor agencies. Any disallowed claims resulting for such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.

2. Enrollment FTE

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the Schools. These reviews are conducted to ensure the Schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Based on ODE's review, there are no adjustments to the state funding received during fiscal year 2008.

XI. Rental Agreement

Effective July 1, 2006, the School entered into a rental agreement with the Village of Newburgh Heights, Ohio, for the use of classrooms and office space. This agreement commenced on July 1, 2006 and was for the period of five years with a one year renewal option. Rental Expense for fiscal year 2008 and 2007 was $78,000 and $78,000, respectively.

XII. Charter School Funding

On October 25, 2006, the Ohio Supreme Court ruled that publicly funded, privately operated community (i.e. charter) schools are constitutional.

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS
Focused on Your Future.

October 24, 2008

To the Board of Directors
Newburgh Heights Community School Foundation, Inc., dba
Washington Park Community School
Cuyahoga County, Ohio
4000 Washington Park Boulevard
Newburgh Heights, Ohio 44105

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Washington Park Community School as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 24, 2008. 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 Washington Park Community School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting, as is disclosed in the accompanying schedule of findings as item 2008-01.

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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Washington Park Community School in a separate letter dated October 24, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington Park Community School'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 reported under Government Auditing Standards. However, we noted certain immaterial instances that we reported to management of Washington Park Community School in a separate letter dated October 24, 2008.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

Washington Park Community School
Cuyahoga County
Schedule of Findings
June 30, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2008-001

Significant Deficiency

We identified an asset acquisition that was originally unrecorded to the capital asset system. A subsequent adjustment was posted to the financial statements to include the book value of the asset in the amount of $46,449 as of June 30, 2008 for a new playground. This misstatement was likely due to the fact that the asset was not posted to a capital outlay account in the financial system. Upon further inquiry we noted the budget did not contain appropriate budgeted amounts for the playground in the capital outlay accounts, therefore, the expenditures were coded to an incorrect account which had adequate funds to make payments.

In addition to the aforementioned misstatement, we noted an adjustment was made to accrued wages. A subsequent adjustment was posted to the financial statements to the account for the errors identified. This misstatement was caused by an inaccurate USPS accrual report (the WAGACT report). This error had no effect on actual wages paid to employees.

We recommend the School improve internal controls in monitoring of capital asset purchases as well as documentation related to the accruals in the district's financial statements. The School should ensure budgets are correctly amended to reflect the needs of the school in terms of the type of expense (such as capital outlay).

Management's Response: Management will monitor documentation more closely to ensure that all necessary capital assets and accruals will be recorded accurately in accordance with accounting principles generally accepted in the United States (GAAP), and will ensure the proper budgets are amended, and account codes are entered appropriately for expenses.

Mary Taylor, CPA
Auditor of State

NEWBURG HEIGHTS COMMUNITY SCHOOL FOUNDATION
DBA
WASHINGTON PARK COMMUNITY SCHOOL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 23, 2009