Wildwood Programs, Inc.

Financial Statements
Year Ended June 30, 2009

Wildwood Programs, Inc.
June 30, 2009

Contents

BRYANS & GRAMUGLIA
CPAs, LLC

Independent Auditors' Report

Board of Directors
Wildwood Programs, Inc.

We have audited the accompanying statement of financial position of Wildwood Programs, Inc. (the Agency) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion 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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of Wildwood Programs, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bryans & Gramuglia CPAs, LLC
Albany, New York
November 4, 2009

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Wildwood Programs, Inc.
Statement of Financial Position
June 30, 2009

ASSETS

Current Assets	
Cash and cash equivalents	$ 3,405,102
Investments	437,237
Accounts receivable	3,010,051
Due from The Wildwood Foundation	43,936
Prepaid expense	165,453
Total Current Assets	7,061,779
Property, Plant and Equipment	
Land and improvements	2,234,751
Building and improvements	20,676,699
Furniture, fixtures and equipment	2,833,087
Total	25,744,537
Less accumulated depreciation	9,987,998
Net Property, Plant and Equipment	15,756,539
Other Assets	
Debt service reserves and restricted deposits	772,413
Escrow	17,657
Security deposits	60,347
Deferred financing costs, net of accumulated amortization of $398,413	839,021
Interest in net assets of related party	4,853,016
Total Other Assets	6,542,454
TOTAL ASSETS	$ 29,360,772

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 134,425
Lines of credit	602,701
Accrued expenses and payroll withholdings	2,686,160
Deferred revenue	1,013,565
Due to funding sources	456,697
Current installments of long-term debt	1,206,805
Total Current Liabilities	6,100,353
Long-Term Liabilities	
Long-term debt, net of current installments	11,730,795
Fair value of swap agreement	893,898
Retirement health benefit obligation	279,300
Total Long-Term Liabilities	12,903,993
Total Liabilities	19,004,346
Net Assets	
Unrestricted	5,503,410
Temporarily restricted	4,177,481
Permanently restricted	675,535
Total Net Assets	10,356,426
TOTAL LIABILITIES AND NET ASSETS	$ 29,360,772

See accompanying notes to financial statements.

Wildwood Programs, Inc.
Statement of Activities
For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Program Support and Revenue				
Government agencies	$ 26,327,256	$ -	$ -	$ 26,327,256
Program fees from clients	1,806,289	-	-	1,806,289
Restricted operating grants	631,876	-	-	631,876
Total Program Support and Revenue	28,765,421	-	-	28,765,421
Nonprogram Support and Revenue				
Contributions	1,394,888	-	-	1,394,888
Investment income	5,240	-	-	5,240
Consulting fees and conferences	3,216	-	-	3,216
Other income	75,441	-	-	75,441
Total Nonprogram Support and Revenue	1,478,785	-	-	1,478,785
Total Revenue	30,244,206	-	-	30,244,206
Expenses and Losses				
Wildwood Programs	27,443,914	-	-	27,443,914
Management and general	1,966,701	-	-	1,966,701
Total Expenses and Losses	29,410,615	-	-	29,410,615
Change in Net Assets Before Change in Interest of Net Assets of Related Party	833,591	-	-	833,591
Change in Interest in Net Assets of Related Party	-	(1,018,850)	-	(1,018,850)
Change in Net Assets Before Change in Fair Value of Swap Contract and Before Change in Retirement Health Benefit Obligation	833,591	(1,018,850)	-	(185,259)
Change in Fair Value of Swap Contract	(343,431)	-	-	(343,431)
Change in Retirement Health Benefit Obligation	207,673	-	-	207,673
Change in Net Assets	697,833	(1,018,850)	-	(321,017)
Net Assets, Beginning of Year as Previously Reported	4,805,577	5,657,662	214,204	10,677,443
Prior Period Adjustment	-	(461,331)	461,331	-
Net Assets, Beginning of Year as Restated	4,805,577	5,196,331	675,535	10,677,443
Net Assets, End of Year	$ 5,503,410	$ 4,177,481	$ 675,535	$ 10,356,426

See accompanying notes to financial statements.

Wildwood Programs, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2009

Cash Flows From Operating Activities	
Change in Net Assets	$ (321,017)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	1,280,067
Bad debts	48,923
Realized/unrealized (gain) loss on investments	22,580
Change in fair value of swap contract	343,431
Change in interest in net assets of related party	1,018,850
Change in Retirement Health Benefit Obligation	(207,673)
(Increase)/decrease in assets	
Accounts receivable	173,821
Prepaid expense	49,085
Security deposits	(26,525)
Increase/(decrease) in liabilities	
Accounts payable	(149,819)
Accrued expenses and payroll withholdings	995,558
Deferred revenue	290,503
Due to funding sources	456,697
Net Cash Provided by Operating Activities	3,974,481
Cash Flows From Investing Activities	
Net proceeds (purchases) of investments	25,003
Purchases of property, plant and equipment	(1,150,147)
(Increase) decrease in debt service reserve	(177,351)
Net change in due from/to The Wildwood Foundation	(94,235)
Net Cash Used by Investing Activities	(1,396,730)
Cash Flows From Financing Activities	
Net change in deferred financing costs	(5,246)
Net advances (repayment) on lines of credit	254,621
Repayment of long-term debt	(2,469,807)
Change in escrow	(7,565)
Net Cash Used by Financing Activities	(2,227,997)
Net Increase in Cash and Cash Equivalents	349,754
Cash and Cash Equivalents, Beginning of Year	3,055,348
Cash and Cash Equivalents, End of Year	$ 3,405,102
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	$ 760,056
Noncash Investing Transactions	
Net realized/unrealized gain (loss) on investments	$ (22,580)

See accompanying notes to financial statements.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Wildwood Programs, Inc. (the Agency) is a private nonprofit organization that provides education, training and other services for persons with learning or other developmental disabilities in New York State. Revenues are derived from Medicaid, New York State Office of Mental Retardation and Developmental Disabilities (OMRDD) and New York State Education Department (SED) reimbursements, contract sales and participant fees. The majority of the revenues and receivables are from Medicaid. The Agency extends credit to school districts and other governmental entities within New York State for services provided.

Revenue Recognition

Revenue from Medicaid, OMRDD and SED is recognized when services are rendered at approved rates. These rates are primarily cost based as determined by allowable expenditures in rate-setting periods. Costs are subject to audit by third party payors and changes, if any, are recognized in the year known. Client fees represent the participants' personal contribution towards the cost of goods and services provided by the Agency. These charges are regulated by federal and state law. Sales are recognized as goods are shipped or as services are performed.

Contributions

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions without donor-imposed restrictions are reported as unrestricted support. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Financial Statement Presentation

The net assets of the Agency are reported in the three classes of net assets as follows:

Unrestricted Net Assets – Include amounts that have no external restrictions on their use or purpose. The Board of Directors can authorize use of those funds as it desires to carry on the purpose of the Agency according to its by-laws.

Temporarily Restricted Net Assets – Include the portion of the interest in the net assets of its related party that is other than permanently restricted on the related party's financial statements and represents resources that are either temporarily restricted by the donor or are not available for immediate use by the Agency until they are transferred by the related party.

Permanently Restricted Net Assets – Include the portion of the interest in the net assets of its related party that are permanently restricted on the related party's financial statements and represent donor stipulations to maintain donated amounts in perpetuity.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Wildwood uses the direct write-off method of accounting for bad debts. Bad debt expense was $48,923 for the year ended June 30, 2009.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at acquisition cost or at their estimated fair values at date of donation less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations on a straight-line basis over the following estimated useful lives:

	Years
Land improvements	2-25
Building and improvements	5-25
Furniture, fixtures and equipment	5-10

Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. When property, plant and equipment are sold or otherwise disposed of, the asset account and the related accumulated depreciation account are relieved and any gain or loss is included in operations.

Deferred Financing Costs

Deferred financing costs consist of bond closing costs incurred on the Agency's various bonded mortgages. These costs are being amortized on a straight-line basis over the terms of the obligations. Amortization expense was $58,463 for the year ended June 30, 2009. Amortization expense is expected to be approximately $58,000 in each of the next five years.

Deferred Revenue

Deferred revenue represents funds received for which the Agency has not fulfilled their obligation to recognize them as revenue. Services will be provided in future periods and any remaining amounts will be recouped by funding sources.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value of Debt Instruments

The carrying amount of debt instruments on the financial statements approximates fair value based on current rates at which the Agency could borrow funds with similar remaining maturities.

Income Tax Status

The Agency is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Agency qualifies for charitable contribution deductions and has been classified as an organization other than a private foundation.

Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Risks and Uncertainties

The Agency invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and, that such changes could materially affect the amounts reported in the statement of financial position.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

2. INVESTMENTS

Investments consist of marketable equity and debt securities carried at fair value based on readily determinable quoted market prices and consist of the following at June 30, 2009:

	Cost	Fair Value
Equities	$ 107,415	$ 92,642
U.S. Government Obligations	306,617	344,595
Total Investments	$ 414,032	$ 437,237

2. INVESTMENTS

The following schedule summarizes the investment income in the statement of activities for the year ended June 30, 2009:

Interest and dividend income	$ 27,820
Net realized and unrealized gain (loss) on investments	(22,580)
Total Investment Income	$ 5,240

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, consists of the following as of June 30, 2009:

Land	$ 960,600
Land improvements	1,274,151
Building	10,780,718
Building improvements	9,895,981
Furniture, fixtures and equipment	2,833,087
Total	25,744,537
Less: Accumulated depreciation	9,987,998
Net, Property, Plant and Equipment	$ 15,756,539

Depreciation expense was $1,221,604 for the year ended June 30, 2009.

4. DEBT SERVICE RESERVES AND RESTRICTED DEPOSITS

The debt service reserve represents deposits held by the Trustees of the Dormitory Authority (DA) and Albany County Industrial Development Agency (AIDA). These deposits will be used to satisfy the last payments required on mortgages held by the DA and the AIDA or can be used prior to that time to pay amounts that are in default. The reserve fund earns interest which is used to reduce the payment obligations under the mortgages. Total debt service reserves were $700,714 at June 30, 2009.

Restricted deposits represent amounts held in trust by a third-party administrator related to the Agency's pension plan. These amounts are to be used to pay for employer contributions or expenses of the Plan. The restricted deposits were $71,699 at June 30, 2009.

5. LINES OF CREDIT

The Agency has the following lines of credit as of June 30, 2009:

$750,000 unsecured line of credit with Key Bank to be drawn upon as needed for real estate, interest at the LIBOR rate, expiring December 31, 2009. The line is guaranteed by The Wildwood Foundation.	$ 346,817

5. LINES OF CREDIT

$500,000 unsecured line of credit with Citizens Bank, N.A. to be drawn upon as needed for real estate, interest at the LIBOR rate, expiring January 30, 2010. The line is guaranteed by The Wildwood Foundation.	$	255,884
$500,000 unsecured line of credit with KeyBank to be drawn upon as needed, interest at the LIBOR rate, expiring December 31, 2009. The line is guaranteed by The Wildwood Foundation.		-
$750,000 unsecured line of credit with Citizens Bank, N.A. to be drawn upon as needed, interest at the LIBOR rate, expiring January 30, 2010. The line is guaranteed by The Wildwood Foundation.		-
Total Lines of Credit	$	602,701

6. LEASES

The Agency's minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2009 for each of the next five years and in the aggregate are as follows:

Year Ended June 30,		Amount
2010	$	436,920
2011		486,695
2012		503,224
2013		503,007
2014		493,953
Thereafter		2,564,897

Rental expense included in the statement of activities was $687,844 for the year ended June 30, 2009.

7. LONG-TERM DEBT

The Agency's long-term debt consists of the following as of June 30, 2009:

2003 Insured Revenue Bonds, issued through the Dormitory Authority of the State of New York, under its New York State Rehabilitation Associated Pooled Loan Program No. 2, consisting of two issues, Series 2003A (non-taxable) and 2003B (federally taxable). Several not-for-profit corporations received varying portions of the bond issue proceeds. Each corporation's liability is limited to its allocable portion of the unpaid principal amount of the outstanding bonds. The bonds are secured by the pledge of revenues, subject to prior pledges and the reserve funds established under the bond. The bond is also secured by two financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2019. Interest rates vary from 3.00% to 5.25%, depending on the maturity date of the particular bond. Payments by the participating corporations are due monthly. The loan agreements also contain various covenants, including a debt service coverage ratio. The Agency was in compliance with the covenants as of June 30, 2009.	$ 640,000
2006 Insured Revenue Bonds with the Albany County Industrial Development Agency, issued through the Bank of New York, under Special Needs Facility Pooled Program, consisting of two issues, Series 2006K-1 (non-taxable) and Series 2005K-2 (federally taxable). The bonds are secured by the mortgaged property located in Colonie, New York; a security interest in certain fixtures, furnishings and equipment. The bond is also secured by financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2026. Interest rates range from 4.8%-5%. Payments are due semi-annually on January 1 and July 1.	3,365,000
Vehicle and equipment loans payable to various financial institutions at interest rates ranging from 0.9% to 7.375%, secured by vehicles and equipment. Monthly payments range from $319 to $702 and are applied first to interest and then to principal. The loans have maturity dates through June 2012.	626,961
2007 Insured Revenue Bonds with the Guilderland Industrial Development Agency, issued through Bank of New York, under the Multi-Mode Variable Rate Civic Facility Program, consist of four issues. The bonds are secured by the land and building located in Guilderland, New York; a security interest in certain fixtures, furnishings and equipment. The bond is also secured by financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2032. Interest rates in effect during the year ended June 30, 2009 ranged between .85%-8.00%. Payments are due annually on July 1. These rates are fixed with an interest rate swap contract with Key Bank (See Note 8).	7,580,000

7. LONG-TERM DEBT

Community Preservation Corporation Mortgage, fixed interest rate of 6.05%, monthly payments of $5,841 through October 2019, secured by buildings.	$ 725,639
Total	12,937,600
Less current installments	1,206,805
Long-term Debt, Net of Current Installments	$ 11,730,795

Long-term debt is payable in each of the next five years as follows:

Year Ended June 30,	Amount
2010	$ 1,206,805
2011	987,605
2012	1,039,023
2013	960,445
2014	951,422

Interest expense was $760,056 for the year ended June 30, 2009.

The Agency has agreed to a number of covenants including a fixed charge coverage ratio of 1:1. At June 30, 2009 the Agency met this debt covenant requirement.

8. INTEREST RATE SWAP AGREEMENT

The Agency entered into an interest rate swap agreement (the Swap) in order to reduce the impact of changes in interest rates on its Variable Rate Demand Civic Facility Revenue Bonds, issued by the Guilderland Industrial Development Agency. The Swap qualifies as a hedge under generally accepted accounting principles. The Agency has assumed no ineffectiveness in the Swap as, among other things, the notional amount of the Swap is for $6,950,000 which is comprised of two separate swap agreements, one for $4,895,000 at a fixed interest rate of 4.135% that matures on July 1, 2032 and the other for $2,055,000 at a fixed interest rate of 3.965% that matures on July 1, 2015. The total amount of the Swap is for $3,485,000 less than the principal amount of the revenue bonds. Changes in the fair value of the Swap are accounted for as change in fair value of swap contract in the accompanying Statement of Activities.

9. FAIR VALUE MEASUREMENTS

The fair value of financial instruments measured on a recurring basis at June 30, 2009 is as follows:

	Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
ASSETS			
Investments (see Note 2)	$ 437,237	$ 437,237	$ -
LIABILITIES			
Fair value of interest rate swap agreement (see Note 8)	$ 893,898	$ -	$ 893,898

SFAS No. 157, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consisting of quoted prices in active markets for identical assets and liabilities have the highest priority, Level 2 consists of other observable inputs other than Level 1 prices, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Agency uses appropriate valuation techniques based on the available inputs to measure the fair value of its financial instruments. When available, the Agency measures fair value using Level 1 and Level 2 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Level 1 Fair Value Measurements
The fair value of investments is based on quoted market prices of the investments held by the Agency at June 30, 2009.

Level 2 Fair Value Measurements
The interest rate swap agreement is not actively traded however, other significant observable inputs exist. The fair value of the interest rate swap agreement is based on the amount the Agency would have to pay to terminate the swap agreement at June 30, 2009.

10. PENSION PLAN

The Agency maintains a noncontributory, defined contribution retirement plan which covers all full or part-time employees who meet certain minimum hours of service requirements. In addition, employees must complete one year of service by January 1 to quality for employer contributions during that year.

The Agency's contributions to the plan range from 4% to 10%, based on the employee's years of service, and are based on wages earned during the calendar year for qualifying employees. The contributions are deposited into a tax-deferred annuity, which is administered in compliance with the Employee Retirement Income Security Act of 1974 (ERISA). The Agency's pension expense was $903,312 for the year ended June 30, 2009.

11. AFFILIATED CORPORATIONS

The Agency is related to The Wildwood Foundation (the Foundation) and the Wildwood Family Corporation (WFC) in that Wildwood Family Corporation is the sole member of the Foundation and the Agency.

The Foundation is a not-for-profit corporation which began operations July 1, 1998 and whose charitable purpose is supporting and assisting WFC and the Agency. The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. As a supporting organization, the Foundation has taken over various fund-raising activities and special events that were previously carried on by the Agency.

WFC is a not-for-profit corporation founded in 1998 to operate exclusively for the charitable purpose of supporting and strengthening the charitable mission of the Agency and the Foundation. WFC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

During the year ended June 30, 2009, the following transactions occurred between the Agency and the Foundation:

- The Foundation donated $1,382,408 to the Agency. This amount is included in contributions on the Statement of Activities.

- The Agency has a contract with the Foundation to reimburse certain costs incurred by the Agency. This contract includes the salaries and benefits of those staff that perform work on behalf of the Foundation. The Agency charged administrative fees of $17,748 to the Foundation for the reimbursement of an allocation of business office operations. The fees are included in other income.

The Foundation owed $43,936 to Wildwood Programs, Inc. as of June 30, 2009.

12. CHANGE IN RETIREMENT HEALTH BENEFIT FROM A DEFINED BENEFIT PLAN TO A DEFINED CONTRIBUTION PLAN

The Agency created its first post retirement health plan program in 2001. The program was set up as a defined benefit plan such that the amount of benefits to be paid out to each employee during retirement was based on a combination of the cost of the benefit at the time of retirement and the value of sick time available to the employee at the time of retirement. Subsequent to the establishment of the benefit, changes in accounting standards made it a requirement of the agency to conduct an annual actuarial study to discern the agency's probable long-term liability. The results of the study are used to determine the estimated reserve the agency would carry on its books to ensure that it could meet the future cash outlays of the program.

In addition to the actual benefit, the total cost of providing this benefit is increased by the Agency having to pay for the annual actuarial study.

Given the combination of low employee usage of the benefit, a high administrative cost relative to the actual monetary benefit paid, the huge difference between the annual reserve cost and the amount of paid out in the form of benefits, and the general unpredictability of the long-term liability, the Agency has opted to eliminate the defined benefit plan for its retirement health benefit as of June 30, 2009 and replace it with a defined contribution plan. Administration of the new plan should be much simpler and, therefore, of lower cost and higher quality. At the same time, the funding of the plan will be made in the form of actual contributions as opposed to funds held in reserve, thus making the plan funding predictable for both the Agency and its employees.

The Agency adjusted the financial statements at June 30, 2009 to account for the reduction of the liability as the result of this conversion from the defined benefit plan to the defined contribution plan. The Agency recorded the reduction of liability in the year ended June 30, 2009 as a Change in Retirement Health Benefit Obligation in the amount of $207,673.

13. CONCENTRATIONS

The Agency maintains cash balances at various financial institutions. Accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 during the year ended June 30, 2009. At times, during the year, the Agency had bank deposits in excess of amounts insured by the FDIC.

Approximately 86% of the Agency's financing is with the County of Albany Industrial Development Agency and the Guilderland Industrial Development Agency.

14. CONTINGENCIES

Personal Allowance Accounts

The Agency is the custodian of clients' personal allowance funds. OMRDD regulations provide for the use of these funds for authorized and allowable purchases for consumer personal items. Those regulations prohibit the Agency from using or commingling these funds with any of their accounts. As the Agency has no legal right to these funds they have not been reflected in the financial statements.

Litigation

The Agency has been named as a defendant in a wrongful dismissal and discrimination claim filed by a former employee. The Agency has filed a complete response to the allegations and will continue to vigorously defend its position in connection with the charges. At this time, the outcome of this claim cannot be predicted. However, if the plaintiffs are successful in their claim, they could be awarded job reinstatement, lost wages, and other damages.

Medicaid and Service Fees

An internal evaluation of certain service documentation under Medicaid and similar state funded programs disclosed a number of instances where New York State documentation standards were not met. As a result, the Agency reported the matter to the New York State Office of Mental Retardation and Developmental Disabilities, consulted legal counsel and estimated the potential loss to be $866,232, which is included in deferred revenue in the June 30, 2009 financial statements. Approximately $266,000 has been recognized in the accompanying financial statements as a reduction to program support and revenue for the year ended June 30, 2009. It is at least reasonably possible that the estimate of the potential loss could change in the near term.

15. PRIOR PERIOD ADJUSTMENT

Net assets as of June 30, 2008 have been reclassified between the unrestricted, temporarily restricted and permanently restricted net asset classifications to properly reflect the restrictions imposed by the donors.

Wildwood Programs, Inc.
Schedule of Functional Expenses
For the Year Ended June 30, 2009

	Wildwood Programs	Management and General	Total
Functional Expenses			
Salaries and wages	$ 15,259,331	$ 1,286,385	$ 16,545,716
Employee benefits	5,176,925	373,616	5,550,541
Total Salaries and Employee Benefits	20,436,256	1,660,001	22,096,257
Supplies	1,448,120	64,023	1,512,143
Transportation	1,386,198	5,241	1,391,439
Occupancy	687,844	-	687,844
Professional fees and contract service payments	243,005	64,904	307,909
Interest	708,293	51,763	760,056
Utilities	432,577	14,532	447,109
Repairs and maintenance	343,822	7,165	350,987
Conferences, convention and meetings	148,904	26,801	175,705
Insurance	177,361	1,410	178,771
Telephone	138,350	(1,115)	137,235
Postage and shipping	14,439	13,179	27,618
Bad debts	48,923	-	48,923
Printing and publications	2,654	5,898	8,552
Depreciation and amortization	1,227,168	52,899	1,280,067
Total Functional Expenses	$ 27,443,914	$ 1,966,701	$ 29,410,615

WILDWOOD PROGRAMS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2008

WILDWOOD PROGRAMS, INC.

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Marvin and company, p.c.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Kevin J. McCoy
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Board of Directors
Wildwood Programs, Inc.

We have audited the accompanying statements of financial position of Wildwood Programs, Inc. (the Agency) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildwood Programs, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of supplementary information on page 18 and 19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marvin and Company, P.C.

October 24, 2008

WILDWOOD PROGRAMS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS

	2008	Restated 2007
Cash and cash equivalents	$ 3,055,348	$ 1,633,033
Investments	484,820	271,143
Accounts receivable	3,232,795	3,133,677
Due from The Wildwood Foundation	-	15,507
Prepaid expense and other assets	214,538	206,081
Property, plant and equipment, net	15,834,947	13,937,062
Debt service reserves and restricted deposits	595,062	10,806,428
Escrow	10,092	26,097
Security deposits	33,822	531,346
Deferred charges, net	892,238	949,366
Interest in net assets of related party	5,871,866	5,183,275
TOTAL ASSETS	$ 30,225,528	$ 36,693,015

LIABILITIES AND NET ASSETS

	2008	Restated 2007
Liabilities		
Lines of credit	$ 348,080	$ 850,000
Accounts payable	284,244	5,318,383
Accrued expenses and payroll withholdings	1,690,602	2,640,593
Due to Wildwood Foundation	50,299	-
Deferred revenue	723,062	112,375
Bonds and other notes payable	15,407,407	18,101,410
Fair value of swap contract	550,467	-
Postretirement health care benefit obligation	493,924	431,150
Total Liabilities	19,548,085	27,453,911
Net Assets		
Unrestricted	4,805,577	4,055,829
Temporarily restricted	5,657,662	4,973,180
Permanently restricted	214,204	210,095
Total Net Assets	10,677,443	9,239,104
TOTAL LIABILITIES AND NET ASSETS	$ 30,225,528	$ 36,693,015

WILDWOOD PROGRAMS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Program Support and Revenue				
Government agencies	$ 24,997,889	$ -	$ -	$ 24,997,889
Program fees from clients	1,761,214	-	-	1,761,214
Restricted operating grants	520,527	-	-	520,527
Total Program Support and Revenue	27,279,630	-	-	27,279,630
Nonprogram Support and Revenue				
Contributions	1,685,207	-	-	1,685,207
Investment income	150,423	-	-	150,423
Consulting fees and conferences	119,038	-	-	119,038
Other income	32,080	-	-	32,080
Total Nonprogram Support and Revenue	1,986,748	-	-	1,986,748
Total Revenue	29,266,378	-	-	29,266,378
Expenses and Losses				
Wildwood Programs	26,048,910	-	-	26,048,910
Management and general	1,917,253	-	-	1,917,253
Total Expenses and Losses	27,966,163	-	-	27,966,163
Change in Net Assets Before Change in Interest in Net Assets of Related Party	1,300,215	-	-	1,300,215
Change in Interest in Net Assets of Related Party	-	684,482	4,109	688,591
Change in Net Assets Before Swap Contract	1,300,215	684,482	4,109	1,988,806
Change in Fair Value of Swap Contract	(550,467)	-	-	(550,467)
Change in Net Assets	749,748	684,482	4,109	1,438,339
Net Assets at Beginning of Year	4,055,829	4,973,180	210,095	9,239,104
Net Assets at End of Year	$ 4,805,577	$ 5,657,662	$ 214,204	$ 10,677,443

WILDWOOD PROGRAMS, INC.
STATEMENT OF ACTIVITIES - RESTATED
FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Program Support and Revenue				
Government agencies	$ 22,592,442	$ -	$ -	$ 22,592,442
Program fees from clients	1,672,512	-	-	1,672,512
Restricted operating grants	602,138	-	-	602,138
Prior Year Revenue Adjustment	(162,894)	-	-	(162,894)
Total Program Support and Revenue	24,704,198	-	-	24,704,198
Nonprogram Support and Revenue				
Contributions	172,511	-	-	172,511
Investment income	129,671	-	-	129,671
Consulting fees and conferences	205,236	-	-	205,236
Other income	37,163	-	-	37,163
Total Nonprogram Support and Revenue	544,581	-	-	544,581
Total Revenue	25,248,779	-	-	25,248,779
Expenses				
Wildwood Programs	23,967,548	-	-	23,967,548
Management and general	1,634,319	-	-	1,634,319
Total Expenses	25,601,867	-	-	25,601,867
Change in Net Assets Before Change in Interest in Net Assets of Related Party	(353,088)	-	-	(353,088)
Change in Interest in Net Assets of Related Party	-	1,379,541	13,819	1,393,360
Change in Net Assets Before Effect of Adoption of FASB No. 158	(353,088)	1,379,541	13,819	1,040,272
Effect of Adoption of FASB No. 158	(43,878)	-	-	(43,878)
Change in Net Assets	(396,966)	1,379,541	13,819	996,394
Net Assets at Beginning of Year	4,452,795	3,593,639	196,276	8,242,710
Net Assets at End of Year	$ 4,055,829	$ 4,973,180	$ 210,095	$ 9,239,104

WILDWOOD PROGRAMS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	$ 1,438,339	$ 996,394
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,161,539	886,371
Bad debts	29,687	4,894
Realized/unrealized (gain) loss on investments	(51,862)	(21,861)
Change in value of swap contract	550,467	-
Loss on disposal of assets	290	-
Effect of adoption of FASB No. 158	-	43,878
Change in interest in net assets of related party	(688,591)	(1,393,360)
(Increase) decrease in assets:		
Accounts receivable	(128,805)	106,452
Prepaid expense and other assets	(8,457)	(18,021)
Security deposits	497,524	(505,136)
Increase (decrease) in liabilities:		
Accounts payable	32,130	(33,149)
Accrued expenses and payroll withholdings	(949,991)	963,785
Deferred revenue	610,687	(113,641)
Postretirement health care benefits obligation	62,774	66,493
Net Cash Provided by Operating Activities	2,555,731	983,099
Cash Flows From Investing Activities		
Net proceeds (purchases) of investments	(161,815)	326
Net proceeds (purchases) of property, plant and equipment	(8,068,855)	(1,292,796)
(Increase) decrease in debt service reserve	10,211,366	(9,397,856)
Net change in due from/to The Wildwood Foundation	65,806	10,039
Net Cash Provided (Used) by Investing Activities	2,046,502	(10,680,287)
Cash Flows From Financing Activities		
Proceeds from lines of credit	1,300,000	1,750,000
Payments on lines of credit	(1,801,920)	(1,078,000)
Proceeds from issuance of bonds and other notes payable	263,366	10,293,702
Principal payments on bonds and other notes payable	(2,957,369)	(660,437)
Change in escrow	16,005	(8,240)
Expenditures/ writeoffs for bond closing costs	-	(324,722)
Net Cash Provided (Used) by Financing Activities	(3,179,918)	9,972,303
Net Increase in Cash and Cash Equivalents	1,422,315	275,115
Cash and Cash Equivalents at Beginning of Year	1,633,033	1,357,918
Cash and Cash Equivalents at End of Year	$ 3,055,348	$ 1,633,033
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 805,085	$ 580,047

See accompanying notes to financial statements.

WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

1. NATURE OF ACTIVITIES

Wildwood Programs, Inc. (the Agency) is a nonprofit organization that provides education, training and other services for persons with learning or other developmental disabilities in New York State. Revenues are derived from Medicaid, New York State Office of Mental Retardation and Developmental Disabilities (OMRDD) and the New York State Education Department (SED) reimbursements, contract sales and participant fees. The majority of the revenues and receivables are from Medicaid. The Agency extends credit to school districts and other governmental entities within New York State for services provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue from Medicaid, OMRDD and SED is recognized when services are rendered at approved rates. These rates are primarily cost based and determined by allowable expenditures in rate-setting periods. Costs are subject to audit by third party payors and changes, if any, are recognized in the year known. Client fees represent the participants' personal contribution towards the cost of goods and services provided by the Agency. These charges are regulated by Federal and State law. Sales are recognized as goods are shipped or as services are performed.

Contributions

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions without donor-imposed restrictions are reported as unrestricted support. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Financial Statement Presentation

The net assets of the Agency are reported in the three classes of net assets as follows:

> **Unrestricted Net Assets** - Includes amounts that have no external restrictions on their use or purpose. The Board of Directors can authorize use of these funds as it desires to carry on the purpose of the Agency according to its by-laws.
>
> **Temporarily Restricted Net Assets** - Includes the portion of the interest in net assets of related party that is other than permanently restricted on the related party's financial statements and represents resources that are either temporarily restricted by the donor or are not available for immediate use by the Agency until they are transferred by the related party.
>
> **Permanently Restricted Net Assets** - Includes the portion of the interest in net assets of related party that are permanently restricted on the related party's financial statements and represent donor stipulations to maintain donated amounts in perpetuity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

The Agency uses the direct write-off method of accounting for bad debts. Bad debt expense was $29,687 and $4,894 for the years ended June 30, 2008 and 2007, respectively.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or at their estimated fair values at date of donation less accumulated depreciation. Depreciation is provided using the straight-line method over the following estimated useful lives:

	Years
Land improvements	2-25
Buildings and Improvements	5-25
Equipment	5-10

Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Deferred Charges

Deferred financing costs consist of bond closing costs incurred on the Agency's various bonded mortgages. These costs are being amortized on a straight-line basis over the terms of the obligations. Amortization expense was $56,838 and $44,648 for the years ended June 30, 2008 and 2007, respectively. Amortization expense is expected to be approximately $57,000 in each of the next five years.

Deferred Revenue

Deferred revenue represents funds received for which the Agency has not fulfilled their obligation to recognize them as revenue. Services will be provided in future periods and any remaining amounts will be recouped by funding sources.

Fair Value of Financial Instruments

Financial instruments include cash, debt and an interest rate swap agreement. The carrying amount of cash approximates fair value and the carrying amount of debt approximates fair value based on current rates at which the Agency's could borrow funds with similar remaining maturities. The fair value of the interest rate swap agreement is based on the amount the Agency would have to pay to terminate the swap agreement at June 30, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Status

The Agency is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Agency qualifies for charitable contribution deductions and has been classified as an organization other than a private foundation.

Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

3. INVESTMENTS

Investments consist of marketable equity and debt securities carried at fair value based on readily determinable quoted market prices and consist of the following:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Equities	$ 110,362	$ 113,529	$ 5,686	$ 23,290
U.S. Government obligations	206,088	337,119	143,179	246,025
Money Markets	34,172	34,172	1,828	1,828
Total Investments	$ 350,622	$ 484,820	$ 150,693	$ 271,143

The following schedule summarizes the investment income in the statement of activities for the year ended June 30:

	2008	2007
Interest and dividend income	$ 98,561	$ 107,810
Net realized and unrealized gain on investments	51,862	21,861
Total Return on Investments	$ 150,423	$ 129,671

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, consists of the following:

	2008	2007
Land	$ 932,700	$ 925,600
Land improvements	855,093	814,017
Building	10,372,722	10,245,861
Building improvements	9,462,095	1,901,799
Equipment	2,754,070	2,665,034
Construction in progress	-	5,066,269
Total	24,376,680	21,618,580
Less: Accumulated depreciation	8,541,733	7,681,518
Net, Property, Plant and Equipment	$ 15,834,947	$ 13,937,062

Depreciation expense was $1,104,701 and $841,723 for the years ended June 30, 2008 and 2007, respectively.

5. DEBT SERVICE RESERVES AND RESTRICTED DEPOSITS

The debt service reserve represents deposits held by the Trustees of the Dormitory Authority (DA) and Albany County Industrial Developmental Agency (AIDA). These deposits will be used to satisfy the last payments required on mortgages held by the DA and the AIDA or can be used prior to that time to pay amounts that are in default. The reserve fund earns interest which is used to reduce the payment obligation under the mortgages. Total debt service reserves were $523,581 and $527,511 at June 30, 2008 and 2007, respectively.

Restricted deposits represent amounts held in banks or held by the Trustees of the Town of Guilderland Industrial Development Agency (GIDA). These amounts are to be used to pay for certain capital projects and the payment of certain outstanding long-term debt (see also Note 8.) Restricted deposits were $71,481 and $10,278,917 at June 30, 2008 and 2007, respectively.

6. LINES OF CREDIT

The Agency has the following lines of credit:

	2008	2007
$750,000 unsecured line of credit with KeyBank to be drawn upon as needed for real estate at a rate of 5.50% expiring December 31, 2008. The line is guaranteed by The Wildwood Foundation.	$ 348,080	$ 350,000
$500,000 unsecured line of credit with Citizens Bank, N.A. to be drawn upon as needed for real estate at a rate of prime expiring January 30, 2009. The line is guaranteed by The Wildwood Foundation.	-	500,000
$500,000 unsecured line of credit with KeyBank to be drawn upon as needed at a rate of 7.75% expiring December 31, 2008. The line is guaranteed by The Wildwood Foundation.	-	-
$750,000 unsecured line of credit with Citizens Bank, N.A. to be drawn upon as needed at a rate of prime expiring January 30, 2009. The line is guaranteed by The Wildwood Foundation.	-	-
Total Lines of Credit	$ 348,080	$ 850,000

7. LEASES

The Agency leases office space under operating leases expiring in 2017.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2008 for each of the next five years and in the aggregate are:

Year Ended June 30	Amount
2009	$ 211,020
2010	203,536
2011	161,491
2012	172,994
2013	176,698
Thereafter	734,088

Rental expense included in the statement of activities was $569,243 and $603,494 for the years ended June 30, 2008 and 2007, respectively.

8. BONDS AND OTHER NOTES PAYABLE

	2008	2007
1996 Insured Revenue Bonds, issued through the Dormitory Authority of the State of New York. Bonds are net of unamortized discount of $14,993 at June 30, 2007. Bonds were payable in various increments through July 1, 2015. Interest payments were due July 1 and January 1 each year at rates from 5% to 5.875%, depending on the maturity date of the particular bond. The bonds were secured by the pledge and assignment of revenue; the reserve funds established under the bond; a security interest in certain fixtures, furnishings and equipment; and a mortgage on property located in Guilderland, New York. The bond was also insured by a municipal bond insurance policy.*	$ -	$ 2,455,000
2003 Insured Revenue Bonds, issued through the Dormitory Authority of the State of New York, under its New York State Rehabilitation Associated Pooled Loan Program No. 2, consisting of two issues, Series 2003A (non-taxable) and 2003B (federally taxable). Several not-for-profit corporations received varying portions of the bond issue proceeds. Each corporation's liability is limited to its allocable portion of the unpaid principal amount of the outstanding bonds. The bonds are secured by the pledge of revenues, subject to prior pledges and the reserve funds established under the bond. The bond is also secured by two financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2019. Interest rates vary from 3.00% to 5.25%, depending on the maturity date of the particular bond. Payments by the participating corporations are due monthly. The loan agreements also contain various covenants, including a debt service coverage ratio. The Agency was in compliance with the covenants as of June 30, 2008.	719,999	799,999
2006 Insured Revenue Bonds with the Albany County Industrial Development Agency, issued through the Bank of New York, under Special Needs Facility Pooled Program, consisting of two issues, Series 2006K-1 (non-taxable) and Series 2005K-2 (federally taxable). The bonds are secured by the mortgaged property located in Colonie, New York; a security interest in certain fixtures, furnishings and equipment. The bond is also secured by financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2026. Interest rates range from 4.8% - 5%. Payments are due semi-annually on January and July 1.	3,490,000	3,605,000

8. BONDS AND OTHER NOTES PAYABLE

	2008	2007
Vehicle and equipment loans payable to various financial institutions at interest rates ranging from 0.9% to 7.375%, secured by equipment. Monthly payments range from $319 to $702 and are applied first to interest and then to principal. The loans have maturity dates through June 2012.	$ 634,623	$ 599,775
2007 Insured Revenue Bonds with the Guilderland Industrial Development Agency, issued through Bank of New York, under the Multi-Mode Variable Rate Civic Facility Program, consists of four issues. The bonds are secured by the land and building located in Guilderland, New York; a security interest in certain fixtures, furnishings and equipment. The bond is also secured by financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2032. Interest rates range between 3.78%-4.135%. Payments are due annually on July 1.*	9,780,000	9,780,000
Community Preservation Corporation Mortgage, fixed interest rate of 6.05%, monthly payments of $5,841 through October 2019, secured by buildings.	763,535	799,186
Facilities Improvement Revenue Bond, secured by land and building located in Guilderland, New York. Further secured by all personal property and accounts receivable and the proceeds thereof, with respect to the property. Payable in semi-annual installments of $19,067, which include interest at 5.15% and an administrative fee of approximately $575, and are due every February 15 and August 15, through August 15, 2009.	19,250	62,450
Total Bonds and Other Notes Payable	$ 15,407,407	$ 18,101,410

Maturities of bonds and other notes payable are as follows:

Year Ended June 30	Amount
2009	$ 1,142,901
2010	1,037,310
2011	1,091,172
2012	1,002,689
2013	1,001,147

Interest expense was $805,120 and $580,047 for the years ended June 30, 2008 and 2007, respectively.

8. BONDS AND OTHER NOTES PAYABLE

*****On June 29, 2007 the Agency closed on the financing of the 2007 Series A Civic Facility Revenue Bonds issued by the Town of Guilderland Industrial Development Agency principally to finance ongoing construction, with the first payment due on July 1, 2008. Included in this closing were monies to repay the outstanding balance of the 1996 Insured Revenue Bonds, issued through the Dormitory Authority of the State of New York. At June 30, 2007, the monies received to repay the 1996 Insured Revenue Bonds remained in the debt service reserve and restricted deposits (See Note 5). The 1996 Insured Revenue Bonds were paid in full during the 2008 fiscal year.

The Agency has also agreed to a number of covenants including a fixed charge coverage ratio of 1:1. At June 30, 2008 the Agency met the debt covenant requirements.

9. INTEREST RATE SWAP AGREEMENT

Wildwood Programs, Inc. entered into an interest rate swap agreement (the Swap) in order to reduce the impact of changes in interest rates on its on the Variable Rate Demand Civic Facility Revenue Bonds, issued by the Guilderland Industrial Development Agency. The Swap qualifies as a hedge under generally accepted accounting principles. Wildwood has assumed no ineffectiveness in the Swap as, among other things, the notional amount of the Swap is for $6,950,000 which is comprised of two separate swap agreements, one for $4,895,000 at a fixed interest rate of 4.135% that matures on July 1, 2032 and the other for $2,055,000 at a fixed interest rate of 3.965% that matures on July 1, 2015. The total amount of the Swap is for $3,485,000 less than the principal amount of the revenue bonds. Changes in the fair value of the Swap are accounted for as change in fair value of swap contract in the accompanying Statement of Activities.

10. PENSION PLAN

The Agency maintains a noncontributory, defined contribution retirement plan which covers all full- or part-time employees who meet certain minimum hours of service requirements. In addition, employees must complete one year of service by January 1 to qualify for employer contributions during that year.

The Agency's contributions to the plan range from 4% to 10%, based on the employee's years of service, and are based on wages earned during the calendar year for qualifying employees. The contributions are deposited into a tax-deferred annuity, which is administered in compliance with the Employee Retirement Income Security Act of 1974 (ERISA). The Agency's pension expense was $750,676 and $714,732 for the years ended June 30, 2008 and 2007, respectively.

11. AFFILIATED CORPORATIONS

The Agency is related to The Wildwood Foundation (the Foundation) and Wildwood Family Corporation (WFC) in that Wildwood Family Corporation is the sole member of the Foundation and the Agency.

11. AFFILIATED CORPORATIONS

The Foundation is a not-for-profit corporation which began operations July 1, 1998 and whose charitable purpose is supporting and assisting WFC and the Agency. The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. As a supporting organization, the Foundation has taken over various fund-raising activities and special events that were previously carried on by the Agency.

WFC is a not-for-profit corporation founded in 1998 to operate exclusively for the charitable purpose of supporting and strengthening the charitable mission of the Agency and the Foundation. WFC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

During the years ended June 30, 2008 and 2007, the following transactions occurred between the Agency and the Foundation:

The Foundation donated $1,214,849 and $171,241, respectively to the Agency. This amount is included in contributions on the Statement of Activities.

The Agency charged administrative fees of $15,939 and $13,601, respectively to the Foundation. The fees are included in consulting fees and conferences.

The Foundation was owed $50,299 and the Agency was owed $15,507 as of June 30, 2008 and 2007, respectively.

12. POSTRETIREMENT HEALTH CARE BENEFITS

The Agency sponsors a defined benefit retirement health care benefit plan covering substantially all employees. The Plan's effective date was January 1, 2002. The Plan's measurement date is July 1. Results of the valuation are projected forward to the end of he year for the financial statement disclosure as of June 30, 2008. The Agency's funding policy is to contribute annually based upon medical premiums due under the Plan. The contribution to the Plan and the benefits paid, were $4,034 and $1,367 for the years ended June 30, 2008 and 2007, respectively.

The following sets forth the amount measured and shown in accordance with Statement of Financial Accounting Standards Number 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans* at June 30:

	2008	2007
Accumulated postretirement benefit obligation (APBO):		
Accumulated postretirement benefit obligation	$ 493,924	$ 431,150
Fair value of plan assets	-	-
Unfunded Status	$ 493,924	$ 431,150

12. POSTRETIREMENT HEALTH CARE BENEFITS

	2008	2007
Amounts recognized in the statement of financial position consist of:		
Postretirement Health Liability	$ 493,924	$ 431,150
Weighted average assumptions as of June 30		
Discount rate *	5.75%	5.75%
Rate of compensation increase	3.00%	3.00%
Net Periodic Benefit Cost (see components below)	$ 70,842	$ 34,978
Employer Contributions and Benefits Paid	$ 8,068	$ 1,367

*The weighted-average discount rate used in determining the accumulated postretirement benefit obligation when the last actuarial valuation was done for the 2002 fiscal year was 7.5% for the years ended June 30, 2007.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in the health care trend rates would have the following effect:

	One Percentage Point	
	Increase	Decrease
Effect on total of service and interest cost components	$ 535	$ 437
Effect on postretirement benefit obligation	1,394	1,005

The Agency's postretirement health care benefit plan obligation is unfunded. The Agency expects to pay benefits, and therefore make contributions in each of the next five years as follows:

2009	$ 110,600
2010	130,100
2011	167,400
2012	152,600
2013	135,100

The postretirement health care benefits cost includes the following components for the year ended June 30:

	2008	2007
Service cost	$ 46,283	$ 16,298
Interest on APBO less interest on expected benefit payments	24,559	18,680
Accrued Health Care Benefit Cost	$ 70,842	$ 34,978

12. POSTRETIREMENT HEALTH CARE BENEFITS

For measurement purposes, the actuarial calculation performed for the period ending June 30, 2008 assumed an 8% annual rate of increase in per capita cost of covered health care benefits, the calculation for the period ending June 30, 2007 assumed an 8.5% annual rate of increase in per capita cost of covered health care benefits. The rate was assumed to decrease gradually to 5.5% over a six-year period based on the June 30, 2008 actuarial calculation and was assumed to decrease gradually to 5.0% to 2011per the June 30, 2008 actuarial calculation and remain at that level thereafter. The health care benefits cost trend rate assumption has a significant effect on the amounts reported. Because the assumptions used can differ substantially from actual results, it is at least reasonably possible that these significant estimates will change within the next year.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. To date, detailed regulations necessary to implement the Act have not been issued. In addition, current accounting standards do not provide sufficient guidance on how to account for the federal subsidy contained within this Act. In response, the FASB issued FASB Staff Position 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (FSP 106-1). FSP 106-1 permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Act until such time authoritative guidance is issued by the FASB on how to account for the federal subsidy. The Agency has not evaluated the impact of this Act on its expense and has elected to defer the accounting for the effects of the Act as permitted by FSP 106-1. Therefore, the accumulated postretirement benefit obligation and net periodic postretirement benefit cost presented in the financial statements do not include the effects of the Act on the plan. Authoritative guidance on accounting for the Act's federal subsidy is pending and that guidance, when issued, could require changes to previously reported information.

13. CONCENTRATIONS

The Agency maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. At June 30, 2008, the Agency's uninsured cash balances were approximately $3,099,000.

Approximately 86% of Agency's financing is with County of Albany Industrial Development Agency and the Guilderland Industrial Development Agency.

14. CONTINGENCIES

Personal Allowance Accounts

The Agency is the custodian of clients' personal allowance funds. OMRDD regulations provide for the use of these funds for authorized and allowable purchases for consumer personal items. Those regulations prohibit the Agency from using or commingling these funds with any of their accounts. As the Agency has no legal right to these funds they have not been reflected in the Agency's financial statements

14. CONTINGENCIES

Medicaid and Service Fees

An internal evaluation of certain service documentation under Medicaid and similar state funded programs disclosed a number of instances where New York State documentation standards were not met. As a result, the Agency reported the matter to the New York State Office of Mental Retardation and Developmental Disabilities, consulted legal counsel and estimated the potential loss to be $600,000, which is included in deferred revenue in the June 30, 2008 financial statements. $300,000 has been recognized in the accompanying financial statements as a reduction to program support and revenue for each of the years ended June 30, 2008 and 2007. It is at least reasonably possible that the estimate of the potential loss could change in the near term.

15. RISKS AND UNCERTAINTIES

The Agency invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and, that such changes could materially affect the amounts reported in the statement of financial position.

16. RESTATED FINANCIAL STATEMENTS

The 2007 financial statements did not reflect the postretirement health care benefit in accordance with FASB No. 158. During 2008 the Agency had an actuarial valuation of their postretirement health care benefit performed. As a result, the 2007 financial statements have been restated to reflect additional liabilities of $43,878. The 2007 statement of activities reflects a corresponding effect of adoption of FASB No. 158.

WILDWOOD PROGRAMS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	Wildwood Programs	Management and General	Total
Salaries	$ 14,610,327	$ 1,252,196	$ 15,862,523
Employee benefits	4,677,787	339,151	5,016,938
Total Salaries and Employee Benefits	19,288,114	1,591,347	20,879,461
Supplies	1,466,878	65,105	1,531,983
Transportation	1,326,960	3,705	1,330,665
Occupancy	569,243	-	569,243
Professional fees and contract service payments	212,609	78,674	291,283
Interest	759,845	45,240	805,085
Utilities	445,307	17,246	462,553
Repairs and maintenance	357,432	11,725	369,157
Conferences, convention and meetings	119,924	37,394	157,318
Insurance	197,180	1,264	198,444
Telephone	133,984	(710)	133,274
Postage and shipping	14,473	10,934	25,407
Rental of equipment	4,271	739	5,010
Bad debts	29,687	-	29,687
Printing and publications	2,804	12,960	15,764
Depreciation and amortization	1,119,909	41,630	1,161,539
Loss on disposal	290	-	290
Total Expenses	$ 26,048,910	$ 1,917,253	$ 27,966,163

WILDWOOD PROGRAMS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	Wildwood Programs	Management and General	Total
Salaries	$ 13,688,241	$ 1,131,144	$ 14,819,385
Employee benefits	4,280,243	299,202	4,579,445
Total Salaries and Employee Benefits	17,968,484	1,430,346	19,398,830
Supplies	1,426,082	50,497	1,476,579
Transportation	1,074,977	3,229	1,078,206
Occupancy	603,494	-	603,494
Professional fees and contract service payments	270,593	52,159	322,752
Interest	563,138	16,909	580,047
Utilities	376,988	12,881	389,869
Repairs and maintenance	344,816	9,256	354,072
Conferences, convention and meetings	169,857	24,320	194,177
Insurance	155,173	363	155,536
Telephone	114,806	3,954	118,760
Postage and shipping	14,981	9,897	24,878
Rental of equipment	5,702	866	6,568
Bad debts	4,894	-	4,894
Printing and publications	766	6,068	6,834
Depreciation and amortization	872,797	13,574	886,371
Total Expenses	$ 23,967,548	$ 1,634,319	$ 25,601,867