

CONCORD ACADEMY-BOYNE
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
for the year ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Concord Academy-Boyne:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Academy-Boyne, as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Concord Academy-Boyne'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 *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 the governmental activities, each major fund, and the aggregate remaining fund information of Concord Academy-Boyne, as of June 30, 2010, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Concord Academy-Boyne

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2010, on our consideration of Concord Academy-Boyne'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Smolinski & Christman, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Concord Academy-Boyne's (the Academy) annual financial report presents our discussion and analysis of the public school Academy's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

- The Academy experienced a decrease in net assets of \$248,511, from \$639,755 to \$391,244.
- Revenues increased by 4.1 percent, from \$1,423,463 to \$1,481,738, while expenses increased by 3.8 percent, from \$1,667,059 to \$1,730,249.
- Blended enrollment used for state aid purposes was 196.75 in June, 2010 compared to 179.88 in June, 2009.

Overview of the Financial Statements

This annual report consists of three parts:

1. Management's discussion and analysis (this section).
2. Basic financial statements.
 - a. Academy-wide financial statements.
 - I. Statement of Net Assets.
 - ii. Statement of Activities.
 - b. Fund financial statements.
 - I. Governmental funds statements.
 - ii. Fiduciary funds statements.
3. Required supplementary information.

The two Academy-wide financial statements provide short-term and long-term information about the Academy's overall financial status.

The fund financial statements focus on individual parts of the Academy, reporting the Academy's operations in more detail than the Academy-wide statements.

The governmental funds statements tell how basic services like regular education were financed in the short-term as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships in which the Academy acts solely as an agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year.

Major Features of the Academy-Wide and Fund Financial Statements

The table below summarizes the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

	Academy-wide statements	Fund Financial	Statements
		Governmental funds	Fiduciary funds
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary	Instances in which the Academy administers resources on behalf of someone else, such as student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the Academy's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Academy-wide statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net assets and how they have changed. Net assets - the difference between the Academy's assets and liabilities, are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

Fund financial statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

Governmental activities - The Academy's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.

The Academy has two kinds of funds:

Governmental fund - Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether

there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Fiduciary funds - The Academy is the fiduciary for assets that belong to others, such as the student activities funds. The Academy is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and used by those to whom the assets belong. We exclude these activities from the Academy-wide financial statements because the Academy cannot use these assets to finance its operations.

Financial analysis of the Academy as a whole

The Academy's combined net assets were less on June 30, 2010 than they were the year before, decreasing by \$248,511 to \$391,244. Unrestricted State aid revenue increased from \$1,284,401 to \$1,396,406. A federal Education Stabilization Funds grant in the amount of \$50,440 was used to offset a reduction in State School Aid section 22b funds. The resulting state and federal amount in the current fiscal year was approximately 6.5 percent higher than the prior year amount. This is due to an increase in the blended enrollment count. Total expenses increased by approximately 3.8 percent. This is mainly due to an increase in contracted teaching and administrative services.

A summary of the Academy's net assets as of June 30 is as follows:

	2010	2009
Current assets	\$ 463,374	\$ 705,035
Capital assets, net	2,199,583	2,245,773
Other noncurrent assets	<u>460,247</u>	<u>434,914</u>
Total assets	<u>\$3,123,204</u>	<u>\$3,385,722</u>
Current liabilities	\$ 222,784	\$ 207,980
Noncurrent liabilities	<u>2,509,176</u>	<u>2,537,987</u>
Total liabilities	<u>\$2,731,960</u>	<u>\$2,745,967</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 119,926	\$ 217,599
Restricted for debt service	57,724	22,887
Restricted for facility maintenance	1,306	1,306
Unrestricted and undesignated	<u>212,288</u>	<u>397,963</u>
Total net assets	<u>\$ 391,244</u>	<u>\$ 639,755</u>

A summary of the Academy's changes in net assets as of June 30 is as follows:

	2010	2009
Revenues:		
Program revenues, State and Federal categorical grants	\$ 91,159	\$ 107,224
General revenues:		
State aid - unrestricted	1,396,406	1,284,401
Interest	204	2,834
Loss on disposal of assets	(30,823)	-
Miscellaneous	<u>24,792</u>	<u>29,004</u>
Total revenues	1,481,738	1,423,463
Expenses:		
Instruction	1,037,193	954,902
Support services	430,154	448,672
Interest on long-term debt	163,090	164,486
Unallocated depreciation	90,670	89,857
Unallocated amortization	<u>9,142</u>	<u>9,142</u>
Total expenses	<u>1,730,249</u>	<u>1,667,059</u>
Change in net assets	<u>\$ (248,511)</u>	<u>\$ (243,596)</u>

Financial analysis of the Academy's funds

Blended enrollment used for state aid purposes was 196.75 in June, 2010 compared to 179.88 in June, 2009. This accounts for the increase in general fund revenues. State aid foundation allowance included in revenue from state sources accounts for most of the Academy's general fund revenue (93 percent). General fund expenditures increased by approximately \$152,000 compared to the prior year. This is due, in part, to an increase in contracted teaching and administrative services and significant capital outlay expenditures for roofing and boiler/HVAC improvements.

	<u>06/30/2009</u>	<u>06/30/2010</u>	<u>% Increase (Decrease)</u>
General Fund Balance	\$ 805,442	\$ 549,041	(31.8%)
General Fund Revenues	\$1,423,463	\$1,512,561	6.3%
General Fund Expenditures	\$1,616,762	\$1,768,962	9.4%
Cost of Instruction	\$ 954,751	\$1,037,193	8.6%
Support Services Expenses	\$ 464,418	\$ 536,356	15.5%
Debt Service Expenses	\$ 197,593	\$ 195,413	(1.1%)

General fund budgetary highlights

Over the course of the year, the Academy revised the annual operating budget. These budget amendments fall into several categories:

- A revenue increase from federal sources to account for federal Education Stabilization Funds.
- Contracted service budget amounts were increased because of situations such as maternity leaves, substitutes and the scholar in residence position becoming full time during the year.
- Textbooks and supplies were less than originally anticipated because higher amounts were expended in the prior year to cover these items.

While the Academy's final budget for the General Fund anticipated expenses would exceed revenues by \$218,860, the actual results for the year showed expenditures over revenues of \$256,401. Actual revenues were \$89,921 higher than budgeted. This is mainly due to the fact that state source revenue was more than anticipated because of increased enrollment.

The actual total expenditures were \$127,462 over budget. This large variance is due to various improvements and repairs done in the building during the year, such as roofing and boiler/HVAC repairs and replacements.

Capital asset and debt administration

By June 30, 2010, the Academy had invested \$2,199,583 in capital assets net of accumulated depreciation. These assets are land, construction in progress, land improvements, buildings and improvements, outdoor equipment, computers and other equipment, and library materials.

Accumulated depreciation on these assets was \$850,915 as of June 30, 2010. Outstanding long-term debt incurred to invest in these assets was \$2,509,176 as of June 30, 2010. Interest from amortization of deferred amounts on refunding bonds of \$11,189 reduced the balance of the deferred amount on refunding liability. The Academy's fiscal year 2011 initial budget anticipates no significant spending for capital projects.

The Academy's capital assets at June 30 are as follows:

	2010	2009
Land	\$ 32,000	\$ 32,000
Construction in progress	19,100	6,000
Land improvements	20,000	20,000
Buildings and improvements	2,833,570	2,811,368
Outdoor equipment	20,418	20,418
Computers and other equipment	109,655	111,355
Library materials	<u>15,755</u>	<u>15,755</u>
Total capital assets	3,050,498	3,016,896
Less accumulated depreciation	<u>(850,915)</u>	<u>(771,123)</u>
Total capital assets, net	<u>\$2,199,583</u>	<u>\$2,245,773</u>

Factors bearing on the Academy's future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- State aid funding from the State of Michigan represents 93 percent of the total Academy general fund revenue. Due to the economic climate in the State of Michigan, fluctuations in foundation allowance are possible.
- Requirements of the No Child Left Behind Act could make it difficult for a small school such as ours to employ highly-qualified teachers for every subject.
- Student enrollment, because of per pupil state aid, is the driving force for the majority of our revenue. The Academy has taken measures to increase enrollment. Meanwhile, our local competitors have all constructed new facilities to attract students. The Academy's goal is to increase enrollment until it reaches capacity (260 students).

Contacting the Academy's financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 00401 E. Dietz Road, Boyne City, Michigan 49712.

CONCORD ACADEMY - BOYNE
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 111,981
Restricted investments	59,310
Receivable, State of Michigan	258,033
Deposit on capital assets	34,050
Total current assets	463,374
NONCURRENT ASSETS:	
Restricted investments	277,443
Capital assets not being depreciated	51,100
Capital assets being depreciated, net	2,148,483
Unamortized debt issuance costs	182,804
Total noncurrent assets	2,659,830
Total assets	\$ 3,123,204
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 18,426
Accrued interest	25,058
Accrued contracted services	131,558
Accrued expenses	7,742
Current portion of long-term debt	40,000
Total current liabilities	222,784
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term debt	2,680,000
Deferred amount on refunding, net	(170,824)
Total noncurrent liabilities	2,509,176
Total liabilities	2,731,960
NET ASSETS:	
Invested in capital assets, net of related debt	119,926
Restricted for debt service	57,724
Restricted for facility maintenance	1,306
Unrestricted and undesignated	212,288
Total net assets	391,244
Total liabilities and net assets	\$ 3,123,204

The accompanying notes are a part of the financial statements.

CONCORD ACADEMY - BOYNE
STATEMENT OF ACTIVITIES
for the year ended June 30, 2010

		Program Revenue		Governmental Activities
	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
GOVERNMENTAL ACTIVITIES:				
Instruction, basic programs	\$ 1,037,193	\$ -	\$ 91,159	\$ (946,034)
Support services	430,154	-	-	(430,154)
Interest on long-term debt	163,090	-	-	(163,090)
Unallocated depreciation	90,670	-	-	(90,670)
Unallocated amortization	9,142	-	-	(9,142)
Total governmental activities	\$ 1,730,249	\$ -	\$ 91,159	(1,639,090)
GENERAL REVENUES:				
State of Michigan school aid unrestricted				1,396,406
Interest income				204
Loss on disposal of assets				(30,823)
Miscellaneous				24,792
Total general revenues				1,390,579
CHANGE IN NET ASSETS				(248,511)
NET ASSETS, beginning of year				639,755
NET ASSETS, end of year				\$ 391,244

The accompanying notes are a part of the financial statements.

CONCORD ACADEMY - BOYNE
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2010

	General Fund
ASSETS	
Cash and cash equivalents	\$ 111,981
Investments, reserved	336,753
Receivable, State of Michigan	258,033
Total assets	\$ 706,767
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 18,426
Accrued contracted services	131,558
Accrued expenditures	7,742
Total liabilities	157,726
FUND BALANCE:	
Reserved for debt service	277,443
Reserved for capital improvements	58,004
Reserved for facility maintenance	1,306
Unreserved and undesignated	212,288
Total fund balance	549,041
Total liabilities and fund balance	\$ 706,767

The accompanying notes are a part of the financial statements.

CONCORD ACADEMY - BOYNE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUND TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total governmental fund balance	\$	549,041
Amounts reported for governmental activities in the statement of net assets are different because:		
Net capital assets used in governmental activities are not financial resources and are not reported in the funds		2,199,583
Deposits on capital assets are not financial resources and are not reported in the funds		34,050
Unamortized debt issuance costs are not financial resources and are not reported in the funds		182,804
Deferred amounts on refunding bonds are not financial resources and are not reported in the funds		170,824
Long-term debt is not due and payable in the current period and is not reported in the funds		(2,720,000)
Accrued interest is not recorded as a liability in governmental funds, it is recorded when paid		<u>(25,058)</u>
Net assets of governmental activities	\$	<u><u>391,244</u></u>

The accompanying notes are a part of the financial statements.

CONCORD ACADEMY - BOYNE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
for the year ended June 30, 2010

	General Fund
REVENUES:	
Local sources	\$ 24,996
State sources	1,410,626
Federal sources	76,939
Total revenues	1,512,561
 EXPENDITURES:	
Instruction, basic programs	1,037,193
Support services:	
General administration	256,801
School administration	6,085
Business services	68,088
Operation and maintenance of plant	205,382
Total support services	536,356
 Debt service:	
Principal	40,000
Interest	152,263
Escrow agent fees	3,150
Total debt service	195,413
Total expenditures	1,768,962
NET CHANGE IN FUND BALANCE	(256,401)
 FUND BALANCE, beginning of year	805,442
FUND BALANCE, end of year	\$ 549,041

The accompanying notes are a part of the financial statements.

CONCORD ACADEMY - BOYNE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
for the year ended June 30, 2010

Net change in fund balance total governmental fund \$ (256,401)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(90,670)
Capital outlay	81,302

Governmental funds report deposits on capital assets as capital outlay expenditures. The deposit amount will be depreciated on the statement of activities when the asset is in service. 34,050

Loss from the disposition of capital assets is not reported in the governmental funds because capital assets are not financial resources. (30,823)

Construction in progress abandoned in current year is to be expensed in the statement of activities. (6,000)

Governmental funds report debt issuance costs as expenditures in the year incurred. In the statement of activities, these costs are allocated over the life of the long-term debt as amortization (9,142)

Interest from amortization of deferred amounts on refunding bonds is not reported in the funds because deferred amounts on refunding bonds are not financial resources (11,189)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets 40,000

Accrued interest on bonds payable is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of year	25,420
Accrued interest payable, end of year	(25,058)

Change in net assets of governmental activities \$ (248,511)

The accompanying notes are a part of the financial statements.

CONCORD ACADEMY - BOYNE
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

		<u>Agency Fund Student Activities</u>
	ASSETS	
Cash		<u>\$ 8,944</u>
	LIABILITIES	
Due to student groups		<u>\$ 8,944</u>

The accompanying notes are a part of the financial statements.

CONCORD ACADEMY-BOYNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of Concord Academy-Boyne, (the Academy) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

Reporting Entity

Public School Academies were formed pursuant to the Michigan School Code of 1976 as amended by Act Number 416 of the Public Acts of 1994; Act Number 416 became effective March 30, 1995. The Academy filed Articles of Incorporation as a non-profit corporation September 1, 1995.

The Academy has an agreement through June 30, 2017 with Lake Superior State University (LSSU) to organize and administer the Academy. LSSU is paid 3 percent of state aid payments for oversight services. The Academy's board of directors is approved by the authorizing body and is authorized to manage the Academy and the property and affairs of the Academy.

In evaluating how to define the Academy, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statements No. 14 and No. 39.

Based upon the application of these criteria, the basic financial statements of the Academy contain all the funds controlled by the Academy's Board of Directors as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Academy nor is the Academy a component unit of another entity.

Academy-Wide And Fund Financial Statements

The Academy-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. The Academy-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as general revenues.

CONCORD ACADEMY-BOYNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Academy-Wide And Fund Financial Statements (Continued)

In the Academy-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Academy first utilizes restricted resources to finance qualifying activities.

The Academy-wide statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources, interest income and other revenues.)

The Academy does not allocate indirect costs.

This Academy-wide focus is more on the sustainability of the Academy as an entity and the change in the Academy's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from Academy-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Academy reports the following major governmental fund:

The general fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

CONCORD ACADEMY-BOYNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Academy-Wide And Fund Financial Statements (Continued)

Fiduciary funds account for assets held by the Academy as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the Academy holds for student and parent activity groups in an agency capacity.

Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the Academy based on information supplied by the Academy. For the year ended June 30, 2010, the foundation allowance was based on pupil membership counts taken in February and September of 2009.

CONCORD ACADEMY-BOYNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued):

State Revenue (Continued)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October, 2009 to August, 2010. Thus, the unpaid portion at June 30th is reported as due from State of Michigan.

The Academy also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for those programs be used for its specific purpose.

Other Accounting Policies

Cash and Cash Equivalents and Investments

The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intend to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

An allowance for uncollectible amounts was not considered necessary at June 30, 2010 because all receivables are considered collectible.

CONCORD ACADEMY-BOYNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	40 years
Furniture and other equipment	5 - 20 years

The Academy's capitalization policy is to capitalize individual amounts exceeding \$1,000.

Long-term Obligations

In the Academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Certificates of participation and bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the certificates of participation and bonds using the straight line method over the term of the related debt. Amortization of debt issuance costs for the year ended June 30, 2010 amounted to \$9,142.

The deferred amount on refunding (\$182,013) was incurred during the year ended June 30, 2007 and is the difference between the reacquisition price of the new debt (the amount placed in escrow) and the carrying amount of the old debt. This amount is being amortized as an element of interest expense over the life of the refunded debt based on the original principal maturities of the old debt. Amortization of the deferred amount on refunding for the year ended June 30, 2010 amounted to \$11,189.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

CONCORD ACADEMY-BOYNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE B - BUDGETING:

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal year end.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chief Administrative Officer submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain comments from the public.
3. Prior to July 1, the budget is legally adopted by enactment of a General Appropriations Act pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Chief Administrative Officer is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30, 2010. The Academy does not consider these amendments to be significant.

NOTE C - DEPOSITS AND RESTRICTED INVESTMENTS:

As of June 30, 2010, the Academy had the following investments:

Investment Type	<u>Fair Value</u>	<u>Weighted average maturity (years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
First American Treasury Obligations Fund - class D	<u>\$336,753</u>	<u>0.10</u>	AAAm	<u>100%</u>
Portfolio weighted average maturity		<u>0.10</u>		

1 day maturity equals 0.10, one year equals 1.00

CONCORD ACADEMY-BOYNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE C - DEPOSITS AND RESTRICTED INVESTMENTS (Continued):

The above investments are restricted as follows:

Debt Service Reserve Accounts - The balance in these accounts will be used to make principal and interest payments on the bonds if monies in the Bond Principal Fund or Bond Interest Fund are insufficient to make such payments when due. All monies remaining at maturity may be used to pay the principal and interest due on the bonds. The earnings on these accounts will be used to reduce the annual debt service payments.	\$194,660
Principal/Interest/Miscellaneous Accounts - Include amounts withheld from the Academy's monthly foundation grant and reserved for debt service.	82,783
Project Fund Account - The balance in this account is to be used for capital improvements to the Academy's facilities.	58,004
Repair and Replacement Fund Account - The balance in this account is to be used to pay the cost of extraordinary maintenance and replacements which may be required to keep the facility in sound condition.	<u>1,306</u>
Total investments held by trustee	<u><u>\$336,753</u></u>

The above restricted investments are classified on the Statement of Net Assets in the following manner:

Restricted investments, current	\$ 59,310
Restricted investments, noncurrent	<u>277,443</u>
	<u><u>\$336,753</u></u>

Interest Rate Risk

The Academy does not have specific investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2010, the Academy had \$336,753 at fair market value invested in a money market fund. The average maturity of this fund is less than one year.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a formal deposit policy for custodial credit risk. At June 30, 2010, the bank balance was \$142,868 and was fully insured.

CONCORD ACADEMY-BOYNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE C - DEPOSITS AND RESTRICTED INVESTMENTS (Continued):

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy does not have a formal investment policy for custodial credit risk. However, all of the investments are in the name of the Academy and are held in trust accounts with the financial institution from which they were purchased.

NOTE D - CAPITAL ASSETS:

The following is a summary of the changes in the various fixed asset class categories for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 32,000	\$ -	\$ -	\$ 32,000
Construction in progress	6,000	19,100	(6,000)	19,100
Total capital assets not being depreciated	38,000	19,100	(6,000)	51,100
Capital assets being depreciated:				
Land improvements	20,000	-	-	20,000
Buildings and improvements	2,811,368	62,202	(40,000)	2,833,570
Outdoor equipment	20,418	-	-	20,418
Computers and other equipment	111,355	-	(1,700)	109,655
Library materials	15,755	-	-	15,755
Total capital assets being depreciated	2,978,896	62,202	(41,700)	2,999,398
Less accumulated depreciation	771,123	90,670	(10,878)	850,915
Total capital assets being depreciated, net	2,207,773	(28,468)	(30,822)	2,148,483
Total capital assets, net	<u>\$2,245,773</u>	<u>\$ (9,368)</u>	<u>\$ (36,822)</u>	<u>\$2,199,583</u>

Depreciation for the fiscal year ended June 30, 2010 totaled \$90,670. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE E - PAYABLES:

The accounts payable balance at June 30, 2010 is composed of amounts due to the following types of entities:

Vendors	\$ 5,676
Contracted personnel expenses	<u>12,750</u>
	<u>\$ 18,426</u>

CONCORD ACADEMY-BOYNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE F - LONG-TERM DEBT:

The following is a summary of long-term debt activity for the year ended June 30, 2010:

	Series 2007 Bonds Payable (Due 11/1/2022)	Series 2007 Bonds Payable (Due 11/1/2036)	Total
Long-term debt, July 1, 2009	\$ 805,000	\$1,955,000	\$2,760,000
Additions	-	-	-
Retirements	(40,000)	-	(40,000)
Balance, June 30, 2010	765,000	1,955,000	2,720,000
Less current portion	(40,000)	-	(40,000)
Total due after one year	<u>\$ 725,000</u>	<u>\$1,955,000</u>	<u>\$2,680,000</u>

Long-term debt at June 30, 2010, consists of the following:

Bonds payable (series 2007), payable in annual installments ranging from \$40,000 to \$80,000 through November, 2022, with semi-annual interest payments at 5.45 percent. Secured by the full faith and credit obligation pledge of the Academy, all monies in specified funds of the Trustee, all proceeds of those funds, and all real and personal property of the Academy.	\$ 765,000
Bonds payable (series 2007), payable in annual installments beginning November, 2023, ranging from \$85,000 to \$375,000 through November, 2036, with semi-annual interest payments at 5.60 percent. Secured by the full faith and credit obligation pledge of the Academy, all monies in specified funds of the Trustee, all proceeds of those funds, and all real and personal property of the Academy.	<u>1,955,000</u>
Total	<u>\$2,720,000</u>

Total principal and interest maturities on the long-term debt outstanding as of June 30, 2010, are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 40,000	\$ 150,083	\$ 190,083
2012	45,000	147,766	192,766
2013	45,000	145,314	190,314
2014	50,000	142,725	192,725
2015	50,000	140,000	190,000
2016 through 2020	310,000	652,858	962,858
2021 through 2025	400,000	556,679	956,679
2026 through 2030	535,000	427,140	962,140
2031 through 2035	705,000	254,100	959,100
2036 through 2037	540,000	36,120	576,120
Total	<u>\$2,720,000</u>	<u>\$2,652,785</u>	<u>\$5,372,785</u>

CONCORD ACADEMY-BOYNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE F - LONG-TERM DEBT (Continued):

Total interest expense related to the bonds payable for the year ended June 30, 2010 was \$151,901.

The bond trust indenture requires that various covenants be met. As of June 30, 2010, the Academy was not in compliance with the long-term debt service coverage ratio. The Academy received a waiver from the majority bondholder allowing non-compliance with this covenant for the year ended June 30, 2010.

Bonds maturing in the year 2018 and thereafter may be redeemed early beginning November 1, 2017 at par plus accrued interest.

NOTE G - CONTRACTED SERVICES:

The Academy contracted with Lakeshore Educational Management, Inc. (Lakeshore) to provide teaching, administrative and custodial services for the Academy. The payments to Lakeshore cover expenses associated with the teachers, administrative and custodial personnel, including wages, payroll taxes, and benefits. Lakeshore charged a \$750 semi-monthly administration fee. Total expense for the year ended June 30, 2010 under the contracts was \$1,189,557, including \$18,000 in administrative fees.

NOTE H - RISK MANAGEMENT:

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters.

The Academy carries commercial insurance for the various risks of loss.

REQUIRED SUPPLEMENTARY INFORMATION

CONCORD ACADEMY - BOYNE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
REVENUES:				
Local sources	\$ 10,200	\$ 12,400	\$ 24,996	\$ 12,596
State sources	1,341,500	1,333,300	1,410,626	77,326
Federal sources	<u>25,000</u>	<u>76,940</u>	<u>76,939</u>	<u>(1)</u>
Total revenues	1,376,700	1,422,640	1,512,561	89,921
EXPENDITURES:				
Instruction, basic programs	778,150	1,017,650	1,037,193	(19,543)
Support services:				
General administration	242,100	255,950	256,801	(851)
School administration	16,000	15,000	6,085	8,915
Business services	64,240	68,100	68,088	12
Operation and maintenance of plant	<u>87,100</u>	<u>92,800</u>	<u>205,382</u>	<u>(112,582)</u>
Total support services	409,440	431,850	536,356	(104,506)
Debt service:				
Principal	192,000	192,000	40,000	152,000
Interest	-	-	152,263	(152,263)
Escrow agent fees	<u>-</u>	<u>-</u>	<u>3,150</u>	<u>(3,150)</u>
Total debt service	<u>192,000</u>	<u>192,000</u>	<u>195,413</u>	<u>(3,413)</u>
Total expenditures	<u>1,379,590</u>	<u>1,641,500</u>	<u>1,768,962</u>	<u>(127,462)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (2,890)</u>	<u>\$ (218,860)</u>	(256,401)	<u>\$ (37,541)</u>
FUND BALANCE, beginning of year			<u>805,442</u>	
FUND BALANCE, end of year			<u>\$ 549,041</u>	

Smolinski & Christman, P.C.
Certified Public Accountants 

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ADAM B. CARON, C.P.A.
TROY A. SLATER, C.P.A.

November 22, 2010

HYANGSOOK P. OSTRANDER, C.P.A.

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

To the Board of Directors of
Concord Academy-Boyne:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Academy-Boyne (the Academy) as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Academy and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be deficiencies in internal control over financial reporting. These deficiencies are referenced as 2010-1 and 2010-2 and are being repeated from the prior year. We consider 2010-1 to be a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. As discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider 2010-2 to be a significant deficiency.

2010-1: Management does not have the internal expertise to prepare financial statements and related footnotes in accordance with accounting principles generally accepted in the United States of America, and certain adjusting entries required for the annual audit.

Response: Due principally to the negative impact on cash funds available to the Academy, the hiring of accounting personnel capable of preparing the Academy's financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America, and certain adjusting entries required for the annual audit is cost prohibitive. The Academy expects this comment to continue from year to year.

The Academy's response to the findings identified in our audit is described above. We did not audit the Academy's response and, accordingly, we express no opinion on it.

2010-2: Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

Response: This condition is generally inherent in organizations the size of the Academy. Management is unable to employ the number of accounting personnel to attain an adequate separation of duties between management functions, accounting functions and custody of the Academy's assets. To the extent possible, duties are allocated between accounting personnel to mitigate risk of material misappropriation of assets. In addition, the Board of Directors assumes a higher level of oversight responsibilities to mitigate risks related to this lack of segregation of duties.

The Academy's response to the findings identified in our audit is described above. We did not audit the Academy's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to the management of the Academy in a separate letter dated November 22, 2010.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Smolinski & Christman, P.C.

Smolinski & Christman, P.C.
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November 22, 2010

Board of Directors
Concord Academy - Boyne
Boyne City, Michigan

We have audited the financial statements of Concord Academy-Boyne (the Academy) for the year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. In planning and performing our audit of the financial statements, we considered the Academy's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit, we became aware of the following matters that represent an opportunity for strengthening operating controls and efficiencies. This letter does not affect our report dated November 22, 2010, on the financial statements of Concord Academy-Boyne. Our comments are summarized below.

The following comments were reported last year and are being repeated this year:

U.S. Bank Account Activity

The Academy's certificates of participation debt activity (such as interest earnings and debt payments) is detailed in various U.S. Bank accounts. U.S. Bank provides monthly statements to the Academy detailing the activity. Effective July 1, 2006, the Academy reports all debt activity in the General Fund. This will require the Academy to budget for the debt activity. Currently, the Academy does not record any of the debt activity in its accounting records. We recommend that the Academy record debt activity in its accounting records on a monthly basis. This will enable the Academy to track all debt activity and to budget accurately.

Credit Card Procedures

The Assistant Administrator of the Academy receives monthly credit card statements for the Academy's credit card. Currently, receipts for minor amounts charged to the credit card are not required to be given to the Assistant Administrator before he pays the credit card balance. We recommend that the Assistant Administrator require all receipts to be turned in to him before he pays the

credit card. The receipts should then be attached to the monthly credit card statement so that the Academy has support for these expenses. This procedure would enable the Academy and its auditors to determine the legitimacy of these expenses. As a further control, we recommend that the Administrator review and initial the credit card statement to indicate approval to pay.

Credit Card Policy

The Board should consider adopting a more detailed credit card policy. The policy should document procedures to be followed and responsibilities of personnel to monitor the use of credit cards.

Bank Reconciliation Procedures

The Assistant Administrator prepares a bank reconciliation on a monthly basis for the Academy's general checking account. As an internal control procedure, we recommend that the bank reconciliation be reviewed by a responsible party, preferably the Board Treasurer. Additionally, we recommend that the Treasurer periodically review images of the Academy's cancelled checks on the bank's website. If any unusual payees or dollar amounts are noted, the Treasurer should bring them to the attention of the Administrator or Assistant Administrator. The current Treasurer does have access to the Academy's account on the bank's website in order to perform this review function.

The following comments are being reported for the first time:

Teacher Gift Cards

During the year ended June 30, 2010, the Academy gave gift cards to the teachers to use for school supplies. Teachers were not required to turn the receipts in for the gift card transactions. We recommend that the Academy use an accountable plan in accordance with IRS guidelines. Otherwise, the gift cards would be treated as compensation by the IRS and the Academy would be subject to exposure for unpaid payroll taxes.

On-line Bank Account Access

On-line access to the Academy's bank accounts should be monitored by the Assistant Administrator to enable only authorized parties to do a periodic review as an internal control procedure. On-line access should be timely removed for applicable parties, such as board members whose terms have ended.

Reconciliation of Contracted Amounts to Accounting Records

Contracted amounts for teachers and administrators should be periodically reconciled to the amounts recorded in the Academy's accounting records. For the year ended June 30, 2010 a reconciliation of expected contracted teacher amounts to the Academy's accounting records resulted in a difference that was larger than is normally encountered. Although the difference is not considered material for audit purposes, we recommend the Assistant Administrator reconcile this more frequently than just annually, perhaps quarterly. The Academy needs to ensure that amounts contracted for are being properly recorded in its accounting records.

This communication is intended solely for the information and use of management, the Board of Directors, bond trustee and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the courtesy and assistance extended to us by all the Academy's personnel during our audit. Should you have any questions with respect to the above comments, we would be pleased to discuss them with you at your convenience.

Very truly yours,

A handwritten signature in cursive script that reads "Smolinski & Christman, P.C.".

Smolinski & Christman, P.C.

Smolinski & Christman, P.C.
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November 22, 2010

To the Board of Directors of
Concord Academy-Boyne:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Academy-Boyne (the Academy) for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated February 17, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2010. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Academy's financial statements were:

Management's estimate of depreciation is based on the estimated useful lives of capital assets. Knowledgeable client personnel approved the useful lives of capital assets added in the current year and reviewed useful lives of capital assets added in prior years.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no sensitive disclosures that are included in the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 22, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Concord Academy-Boyne and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Smolinski & Christman, P.C.