

AUDITED FINANCIAL STATEMENTS

CONCORD ACADEMY

PETOSKEY, MICHIGAN

YEAR ENDED JUNE 30, 2023

CONCORD ACADEMY

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Dan Smith & Company, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Concord Academy
Petoskey, MI

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and custodial fund of Concord Academy as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Concord Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and custodial fund of Concord Academy, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Concord Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Concord Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Concord Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Concord Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages IV-VIII and 17-19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2023, on our consideration of Concord Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Concord Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Concord Academy's internal control over financial reporting and compliance.



Dan Smith & Company, PC

Gaylord, Michigan
August 21, 2023

CONCORD ACADEMY

Petoskey, MI

CONCORD ACADEMY MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2023

This section of Concord Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Academy assets at June 30, 2023, as reported in the Statement of Net Position, totaled approximately \$3,073,000 for governmental activities. Of the total Academy assets, approximately \$1,843,600 represents capital assets net of depreciation.

Overall revenues were approximately \$1,840,000 (\$302,000 from program revenues and \$1,538,000 from general revenues). Overall expenses approximated \$1,624,600.

The Academy's debt service costs totaled \$290,798. The Academy spent \$67,786 on capital expenditures this year. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Academy.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the governmental activities of the Academy. The Academy does not engage in any business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The remaining statements are fund financial statements, which focus on individual parts of the Academy in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Academy as a whole using accounting methods used by private companies. The Statement of Net Position includes all of the entity's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net position and how they have changed. Net position is the difference between the Academy's assets and liabilities; this is one method to measure the Academy's financial health or position.

Over time, increases or decreases in an entity's net position is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as student counts, tax base changes, facility conditions, and personnel changes.

All of the activities of the Academy are reported as governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's funds, focusing on significant (major) funds, not the Academy as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Academy Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Academy has the following types of funds:

Governmental Funds: All of the Academy's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Academy's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Following is a summary of our net position as of June 30, 2023, with comparative data from June 30, 2022.

Concord Academy Statement of Net Position June 30,

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	\$ 1,229,347	\$ 1,157,531
Capital assets, Net	<u>1,843,642</u>	<u>1,862,331</u>
Total assets	<u>\$ 3,072,989</u>	<u>\$ 3,019,862</u>
Liabilities		
Current liabilities	\$ 343,859	\$ 336,182
Noncurrent liabilities	<u>1,555,000</u>	<u>1,725,000</u>
Total liabilities	<u>1,898,859</u>	<u>2,061,182</u>
Net Position		
Investment (deficit) in capital assets net of related debt	109,246	(33,010)
Restricted	445,778	425,601
Unrestricted	<u>619,106</u>	<u>566,089</u>
Total net position	<u>1,174,130</u>	<u>958,680</u>
Total liabilities and net position	<u>\$ 3,072,989</u>	<u>\$ 3,019,862</u>

Net Position: The Academy's combined net position increased approximately \$215,449 during the year ended June 30, 2023.

The results of The Academy as a whole are reported in the Statement of Activities for the year ended June 30, 2023, with comparative data for June 30, 2022, as summarized below:

**Concord Academy
Statement of Activities
Year Ended June 30,**

	Governmental Activities	
	2023	2022
Revenue		
Program revenue:		
Charges for services	\$ 3,291	\$ 9,138
Operating grants	298,531	409,916
General revenue:		
State Foundation Grant	1,533,704	1,442,347
Interest Earnings	4,567	1,130
Total revenues	\$ 1,840,093	\$ 1,862,531
Funtion/Program Expenses		
Instruction	903,582	795,905
Support Services	504,733	681,355
Debt Service Costs/Interest	129,853	139,688
Depreciation (unallocated)	86,476	73,175
Total expenses	1,624,644	1,690,123
Change in net position	215,449	172,408
Net position - beginning of year	958,681	786,272
Net position - end of year	\$ 1,174,130	\$ 958,680

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

Governmental Funds: The fund balances for governmental funds increased approximately \$73,194. This increase is due to conservative fiscal management.

General Fund: This fund is used to record all activities of the Academy not required to be recorded in a separate fund. This would primarily include instruction, support services and debt service. The major sources of revenue for the general fund are from the State of Michigan Foundation Grant. The major expenses for this fiscal year include purchased services, benefits, supplies, operation of the buildings, and debt service.

Fiduciary Fund: The School is the trustee, or fiduciary, for the Concord fundraising groups. All of the School's fiduciary activities are reported in the statement of changes in fiduciary accounts. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to Capital Assets cost \$67,786 and included the following: Building improvements with two roof top units and a conversion of water and heating to gas, along with a downpayment for the new parking lot.

Long-Term Debt: A total of \$160,000 was paid towards the long-term debt principal, leaving a balance owed of \$1,725,000.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Concord Academy is anticipating an enrollment of approximately 150 students, which is slightly higher than last September. This number of students, with strong fiscal management, should allow the school to meet its financial operational costs.

CONTACTING ACADEMY MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the revenues it receives. If you have any questions concerning this report please contact the School's director, Ms. Kali McNamara.

**CONCORD ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS

Current Assets:

Cash	\$	492,018
Cash - Restricted		445,778
Receivables:		
State Foundation Grant		277,263
Federal Grants		14,288

Total Current Assets		1,229,347
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Noncurrent Assets:

Land, Nondepreciable		126,250
Buildings and Equipment, Depreciable		3,153,671
Less, Accumulated Depreciation		(1,436,279)

Total Noncurrent Assets		1,843,642
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Total Assets		3,072,989
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LIABILITIES

Current Liabilities:

Accrued Salaries & Benefits		156,145
Accrued Expenses		8,318
Current Portion - Long Term Debt		170,000
Accrued Interest		9,396

Total Current Liabilities		343,859
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Noncurrent Liabilities:

Bonds Payable		1,555,000
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Total Liabilities		1,898,859
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NET POSITION

Net Position - Unrestricted		619,106
Net Position - Restricted		445,778
Net Investment in Capital Assets		109,246

Total Net Position	\$	1,174,130
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See accompanying notes to the financial statements

CONCORD ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

P R O G R A M R E V E N U E S

	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
\$	(903,582)	3,291	298,531	-	\$ (601,760)
	(504,733)	-	-	-	(504,733)
	(129,853)	-	-	-	(129,853)
	(86,476)	-	-	-	(86,476)
	(1,624,644)	3,291	298,531	-	(1,322,822)

GOVERNMENTAL ACTIVITIES:

Instruction
Support Services
Debt Service Costs/Interest
Unallocated Depreciation

GENERAL REVENUES:

State Foundation Grants (not restricted)
Interest Earnings

Total General Revenues	1,533,704
Change in Net Position	4,567
Net Position - Beginning of Year	1,538,271
Net Position - End of Year	215,449
	958,681
	\$ 1,174,130

See accompanying notes to the financial statements

**CONCORD ACADEMY PETOSKEY
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2023**

	GENERAL FUND
ASSETS	
Cash	\$ 492,018
Cash - Restricted	445,778
Receivables:	
State Foundation Grant	277,263
Federal Grants	14,288
Total Assets	1,229,347
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accrued Salaries & Benefits	156,145
Accrued Expenses	8,318
Total Liabilities	164,463
Fund Equity:	
Fund Balance - Unassigned	619,106
Fund Balance - Restricted	445,778
Total Fund Equity	1,064,884
Total Liabilities and Fund Equity	\$ 1,229,347

See accompanying notes to the financial statements

**CONCORD ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 3)	\$	1,064,884
<p>Amounts reported for governmental activities in the Statement of Net Position (page 1) are different because:</p>		
Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds.		1,843,642
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(1,725,000)
Accrued interest is recognized as a liability on the Statement of Net Position, but not in the General Fund		(9,396)
		(9,396)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET POSITION - PAGE 1)	\$	1,174,130
		1,174,130

See accompanying notes to the financial statements

**CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	GENERAL FUND
Revenues:	
State Sources	\$ 1,533,704
Federal Sources	244,900
Local Sources	56,922
Interst Income	4,567
	1,840,093
Expenditures:	
Instruction	903,582
Supporting Services	572,519
Debt Service:	
Principal	160,000
Interest	128,006
Bank Admin Fee	2,792
	1,766,899
Excess (Deficiency) of Revenues Over Expenditures	73,194
Fund Balance - July 1, 2022	991,690
Fund Balance - June 30, 2023	\$ 1,064,884

See accompanying notes to the financial statements

**CONCORD ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS PER THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - PAGE 5	\$	73,194
Amounts reported for governmental activities in the Statement of Activities (page 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives.		67,786
Depreciation expense is not recorded in the fund financial statements.		(86,476)
Debt service principal payments are recorded as expenditures in the fund statements, but only interest is recorded in the statement of activities.		160,000
Governmental funds report interest expense when paid, but the Statement of Activities recognizes the "actual" interest expense, which is adjusted to include accrued amounts.		945
CHANGE IN NET POSITION - PAGE 2	\$	215,449

See accompanying notes to the financial statements

CONCORD ACADEMY PETOSKEY
STATEMENT OF CHANGES IN FIDUCIARY ACCOUNTS
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>CUSTODIAL FUNCTION</u>	<u>BEGINNING BALANCE JULY 1</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>ENDING BALANCE JUNE 30</u>
Concord Fundraising Group(s)	\$ 8,732	\$ 10,173	\$ 7,115	\$ 11,790

See accompanying notes to the financial statements

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A: 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 April 3, 1995.

On May 1, 2000, the Academy signed a contract to charter a Public School Academy with Lake Superior State University's Board of Trustees (LSSU). According to this contract, the Academy is to act exclusively as a governmental agency and is not to undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the Michigan State Constitution. Under this contract, LSSU provides certain services to the Academy including approval of the Academy's operating plan, monitoring compliance with provisions of the charter contract and the selection of members for the Board of Directors from a list of candidates provided by the Academy. LSSU is paid three percent of State Aid payments received by the Academy for such services.

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 Statement No. 14, and the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose 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.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Concord Academy are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Academy's financial activities.

The accounting policies of Concord Academy conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On July 1, 2003, Concord Academy adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Academy's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Academy as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Academy general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Academy has no business-type activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Academy's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Academy reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the school. Revenues are derived primarily from the State Foundation grants.

Fiduciary Fund – The Fiduciary fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation. This fund is to record the transactions of the Concord fundraising groups for school-related purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Academy considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: state and federal grants, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state 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 authorizing agent, Lake Superior State University, which transmits the funds to the Academy. For the year ended June 30, 2023 the foundation allowance was based on the weighted average of pupil membership counts taken in February, 2022 and September, 2022.

The state 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 (currently the fiscal year) and is funded through payments from October, 2022 – August, 2023. Thus, the unpaid portion at June 30 is reported as a receivable.

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Academy's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Academy for these budgetary funds were adopted on an activity level. Budgets as adopted, end on June 30, of each year. There are no carryover budget items. During the year ended June 30, 2023, there were no over-expenditures.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The Academy's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Academy generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 50
Improvements, other than buildings	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10
Infrastructure	25 - 50

Land, construction in progress, and library books and periodicals are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Otherwise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note D.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide financial statements, outstanding debt is reported as liabilities. Generally, bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

With the refinancing of long-term debt in 2012, the Academy chose to not capitalize the "bond issuance costs", which totaled \$179,185. These costs were fully expensed in the year ended June 30, 2012.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE C: CASH AND INVESTMENTS

The Academy's deposits as of June 30, 2023 includes an interest-bearing checking account, a savings account, and amounts held through the trust department of a bank for the purpose of making debt service payments. The majority of the trust department funds are deposited in a U.S. Government money market fund which invests exclusively in short-term U.S. Treasury Obligations and repurchase agreements secured by U.S. Treasury Obligations.

The carrying amount of the Academy's deposits at June 30, 2023 was \$937,796 and the bank balance was \$974,261 of which \$500,000 was covered by federal depository insurance and \$474,261 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are, in the opinion of the Academy, subject to minimal risk.

Funds are invested in the following as permitted by Michigan law:

- Bonds and other obligations of the United States Government.
- Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively.
- Certain commercial paper.
- United States Government repurchase agreements.
- Banker's acceptances of United States Banks.
- Certain mutual funds.

NOTE D: CAPITAL ASSETS

	NOT DEPRECIATED	DEPRECIATED		
	Land & Improvements	Buildings & Improvements	Furniture & Equipment	Totals
<i>Governmental Activities</i>				
Capital Assets				
Balance July 1, 2022	\$ 126,250	\$ 2,829,114	\$ 256,771	\$ 3,094,700
Increases	-	67,786	-	67,786
Decreases	-	-	-	-
Balance June 30, 2023	<u>126,250</u>	<u>2,896,900</u>	<u>256,771</u>	<u>3,279,921</u>
Accumulated Depreciation				
Balance July 1, 2022	\$ -	\$ 1,127,340	\$ 222,463	\$ 1,349,803
Increases	-	76,577	9,899	86,476
Decreases	-	-	-	-
Balance June 30, 2023	<u>-</u>	<u>1,203,917</u>	<u>232,362</u>	<u>1,436,279</u>
Capital Assets, Net	<u>\$ 126,250</u>	<u>\$ 1,692,983</u>	<u>\$ 24,409</u>	<u>\$ 1,843,642</u>

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE E: LONG-TERM DEBT

The following is a summary of changes in the General Long-Term Debt:

	7/1/22	Additions	Retirements	6/30/23
Bonds Payable	\$ 1,885,000	\$ -	\$ 160,000	\$ 1,725,000

Refunding Bonds – Series 2012 The Academy, through the Michigan Finance Authority, issued Limited Obligation Revenue Refunding Bonds in the amount of \$3,040,000. These bonds were issued to payoff the “Participation Notes Payable, Series 2000”. The bonds carry interest rates of 5.5% - 6.875%, and the interest is paid semi-annually on June 1 and December 1, with the first principal amount due December 1, 2013. Secured by pledged state aid revenues and a first mortgage on the school building and the land it sets upon.

The total debt service requirements for the next five years and thereafter, as of June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 170,000	\$ 112,750	\$ 282,750
2025	180,000	100,719	280,719
2026	190,000	88,000	278,000
2027	205,000	74,422	279,422
2028	220,000	59,813	279,813
2029-2031	760,000	80,438	840,438
	\$ 1,725,000	\$ 516,142	\$ 2,241,142

NOTE F: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows or inflows of resources. The outflows represent a consumption of net position, while the inflows represent an acquisition of net position. They both apply to a future period and will not be recognized as an outflow (expense/expenditure) or inflow (revenue) of resources until then. The Academy has no items that qualify for reporting in these categories for the year ended June 30, 2023.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE G: FUND BALANCE REPORTING

Governmental funds report fund balance in the following five categories:

- 1. Non-spendable** – the related assets form does not allow expenditures of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Non-spendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and endowments.
- 2. Restricted** – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in legislation.
- 3. Committed** – the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
- 4. Assigned** – the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
- 5. Unassigned** – is the residual classification and includes all spendable amounts not contained in the other classifications.

The Academy has restricted Fund Balance in the amount of \$445,778. This amount represents the “reserved” balances (\$445,721) in U.S. Bank to be used for future years debt service and \$57 in a health reimbursement account. These funds are not available for other operating costs.

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 risks of loss, including employee health and accident insurance.

NOTE I: PURCHASED SERVICES

The Academy contracted with Lakeshore Educational Management, Inc. to provide teaching and administrative services. The payments to this company covered the following expenses associated with the teachers and administrative personnel: wages, payroll taxes, retirement and health insurance.

NOTE J: SUBSEQUENT EVENT

The Academy has evaluated subsequent events and transactions for potential recognition and disclosure through August 21, 2023, the date the financial statements were available to be issued.

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES:				
Local Sources:				
Intermediate School District	\$ 32,779	\$ 53,400	\$ 53,631	\$ 231
LSSU Grant	6,204	6,730	2,310	(4,420)
Interest Income	1,120	10,275	4,567	(5,708)
Miscellaneous	4,500	3,873	981	(2,892)
Total Local Sources	44,603	74,278	61,489	(12,789)
State Sources:				
Foundation Grant/Other	1,564,707	1,520,288	1,533,704	13,416
Total State Sources	1,564,707	1,520,288	1,533,704	13,416
Federal Sources:				
Title I	54,776	48,375	48,490	115
Title II	-	6,000	6,084	84
Title IV Grant	-	9,000	9,214	214
Title VI Grant	-	-	4,528	4,528
Rural Grant	-	-	13,467	13,467
Covid Funding - Esser	188,370	155,591	163,117	7,526
Total Federal Sources	243,146	218,966	244,900	25,934
TOTAL REVENUES	1,852,456	1,813,532	1,840,093	26,561
EXPENDITURES:				
Instruction:				
Basic Programs:				
Elementary:				
Purchased Services	421,213	412,012	412,092	(80)
Supplies, Materials and Other Expenses	10,906	30,456	26,934	3,522
Textbooks	1,668	1,505	1,505	-
Total Elementary	\$ 433,787	\$ 443,973	\$ 440,531	\$ 3,442

**CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
Middle School:				
Purchased Services	\$ 100,353	\$ 116,539	\$ 115,296	\$ 1,243
Supplies, Materials and Other Expenses	5,505	9,916	9,556	360
Textbooks	200	-	-	-
Total Middle School	<u>106,058</u>	<u>126,455</u>	<u>124,852</u>	<u>1,603</u>
High School:				
Purchased Services	160,386	185,241	184,997	244
On-line Instruction/Dual Enrollment	8,000	19,421	19,306	115
Supplies, Materials and Other Expenses	27,800	22,148	22,058	90
Textbooks	11,396	7,734	7,800	(66)
Total High School	<u>207,582</u>	<u>234,544</u>	<u>234,161</u>	<u>383</u>
Special Education:				
Purchased Services	146,246	106,358	103,993	2,365
Supplies, Other Expenses	-	45	45	-
Total Special Education	<u>146,246</u>	<u>106,403</u>	<u>104,038</u>	<u>2,365</u>
Total Instruction	<u>893,673</u>	<u>911,375</u>	<u>903,582</u>	<u>7,793</u>
Supporting Services:				
Administration:				
Purchased Services	231,642	241,305	240,003	1,302
Supplies, Materials and Other Expenses	78,894	76,484	76,522	(38)
LSSU Oversight Fee	44,215	46,106	45,937	169
Professional Fees	12,400	11,427	11,427	-
COVID-19 Related Supplies & Wages	188,370	13,992	13,911	81
Total Administration	<u>\$ 555,521</u>	<u>\$ 389,314</u>	<u>\$ 387,800</u>	<u>\$ 1,514</u>

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Operation and Maintenance of Plant:				
Purchased Services	\$ 30,000	\$ 30,000	\$ 26,465	\$ 3,535
Utilities	19,200	21,357	21,377	(20)
Repair and Maintenance	36,054	36,171	36,121	50
Insurance	13,832	14,295	14,295	-
Supplies	4,200	8,111	8,373	(262)
Telephone	7,764	4,347	4,346	1
Internet	576	576	576	-
Capital Outlay	4,850	5,380	5,380	-
Roof and Carpet Improvements	-	68,671	67,786	885
Total Operation and Maintenance	116,476	188,908	184,719	4,189
Total Supporting Services	671,997	578,222	572,519	5,703
Debt Service:				
Interest - Long Term Debt	124,094	128,094	128,006	88
Principal - Long Term Debt	160,000	160,000	160,000	-
US Bank Admin Fee	2,692	2,792	2,792	-
Total Debt Service	286,786	290,886	290,798	88
Total Expenditures	1,852,456	1,780,483	1,766,899	13,584
Excess (Deficiency) of Revenues Over Expenditures	-	33,049	73,194	40,145
Fund Balance - Beginning of Year	991,690	991,690	991,690	-
Fund Balance - End of Year	\$ 991,690	1,024,739	1,064,884	\$ 40,145



Dan Smith & Company, PC

Certified Public Accountants

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

To the Board of Directors
Concord Academy
Petoskey, MI

We have audited, in accordance with the 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, the financial statements of the governmental activities, the major fund, and custodial fund of Concord Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 21, 2023.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-1 and 2023-2 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Concord Academy's financial statements are free from 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*.

Concord Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Concord Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dan Smith & Company, PC

**Gaylord, MI 49735
August 21, 2023**

**CONCORD ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION II – Financial Statement Findings

2023-1

Criteria or Specific Requirement

Establishment and maintenance of internal controls over the financial reporting process.

Condition

Personnel responsible for financial reporting do not possess the skills necessary to monitor and report annual financial activity without auditor intervention.

Criteria

Internal controls should be in place to provide reasonable assurance to the Academy that management possesses the skills necessary to monitor and report annual financial activity without auditor intervention.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the Academy's internal controls over financial reporting.

Recommendation

The Academy should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Views of the Responsible Officials and Planned Corrective Action

Currently the Academy does not feel the auditor intervention with the annual financial reporting is detrimental to the overall internal controls of its fiscal management. However, efforts will be made to continue to educate our administration and board of directors relative to the financial reporting process.

**CONCORD ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION II – Financial Statement Findings (Continued)

2023-2

Criteria or Specific Requirement

Establishment and maintenance of separation of duties over the cash collections and cash disbursements process.

Condition

Due to limited staff size, two individuals are essentially involved with the issuance of billings, collection of cash, check signing, bank reconciliation, transfers between bank accounts and responsibility for general ledger postings.

Criteria

Internal controls should be in place to provide reasonable assurance to the Academy Board that the management is correctly recording cash collections and cash disbursements.

Effect

The effect of this condition is that a misstatement would not be detected timely by management or the Academy Board.

Recommendation

The Academy should review and implement the necessary separation of duties and board oversight to lessen the effects of the lack of separation of duties.

Views of the Responsible Officials and Planned Corrective Action

Currently the Academy does not have the funding to hire additional staff in order to have separation of duties. The Academy Board has become more active in the oversight in the cash collections and cash disbursements as a compensating control for management.