



Dan Smith & Company, PC

Certified Public Accountants

AUDITED FINANCIAL STATEMENTS

CONCORD ACADEMY

PETOSKEY, MICHIGAN

YEAR ENDED JUNE 30, 2022

CONCORD ACADEMY

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Dan Smith & Company, PC

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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 and the major fund of Concord Academy as of and for the year ended June 30, 2022, 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 and the major fund of Concord Academy, as of June 30, 2022, 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 26, 2022, 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.

A handwritten signature in black ink, appearing to read 'Dan Smith', followed by a colon and the letters 'G, PC'.

Dan Smith & Company, PC

Gaylord, Michigan
August 26, 2022

CONCORD ACADEMY

Petoskey, MI

CONCORD ACADEMY MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2022

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, 2022. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Academy assets at June 30, 2022, as reported in the Statement of Net Position, totaled approximately \$3,019,862 for governmental activities. Of the total Academy assets, approximately \$1,862,331 represents capital assets net of depreciation.

Overall revenues were approximately \$1,862,531 (\$419,054 from program revenues and \$1,443,477 from general revenues). Overall expenses approximated \$1,690,123.

The Academy's debt service costs totaled \$285,547. The Academy spent \$117,435 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, 2022, with comparative data from June 30, 2021.

Concord Academy Statement of Net Position June 30,

	Governmental Activities	
	2022	2021
Assets		
Current and other assets	\$ 1,157,531	\$ 1,144,898
Capital assets, Net	1,862,331	1,818,071
Total assets	<u>\$ 3,019,862</u>	<u>\$ 2,962,969</u>
Liabilities		
Current liabilities	\$ 336,182	\$ 291,697
Noncurrent liabilities	1,725,000	1,885,000
Total liabilities	<u>2,061,182</u>	<u>2,176,697</u>
Net Position		
Investment (deficit) in capital assets net of related debt	(33,010)	(223,129)
Restricted	425,601	462,880
Unrestricted	566,089	546,521
Total net position	<u>958,680</u>	<u>786,272</u>
Total liabilities and net position	<u>\$ 3,019,862</u>	<u>\$ 2,962,969</u>

Net Position: The Academy's combined net position increased approximately \$172,400 during the year ended June 30, 2022.

The results of The Academy as a whole are reported in the Statement of Activities for the year ended June 30, 2022, with comparative data for June 30, 2021, as summarized below:

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

	Governmental Activities	
	2022	2021
Revenue		
Program revenue:		
Charges for services	\$ 9,138	\$ 10,751
Operating grants	409,916	198,908
General revenue:		
State Foundation Grant	1,442,347	1,513,315
Interest Earnings	1,130	994
COVID	-	2,066
Total revenues	<u>\$ 1,862,531</u>	<u>\$ 1,726,034</u>
Funtion/Program Expenses		
Instruction	795,905	765,659
Support Services	681,355	518,533
Debt Service Costs/Interest	139,688	144,496
Depreciation (unallocated)	73,175	60,874
Total expenses	<u>1,690,123</u>	<u>1,489,562</u>
Change in net position	<u>172,408</u>	<u>236,472</u>
Net position - beginning of year	<u>786,272</u>	<u>549,306</u>
Net position - end of year	<u><u>\$ 958,680</u></u>	<u><u>\$ 786,272</u></u>

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

Governmental Funds: The fund balances for governmental funds decreased approximately \$17,700. This decrease is due in large part to capital assets purchased.

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 \$117,435 and included the following: Finishing up the new carpeting and roof at the school, as well as several Chromebooks for the classrooms and administration, and a shelf for band instruments.

Long-Term Debt: A total of \$145,000 was paid towards the long-term debt principal, leaving a balance owed of \$1,885,000.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Concord Academy is anticipating an enrollment of approximately 165 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, 2022**

ASSETS

Current Assets:

Cash	\$ 462,356
Cash - Restricted	425,601
Receivables:	
State Foundation Grant	262,210
Federal Grants	7,364

Total Current Assets	1,157,531
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Noncurrent Assets:

Land, Nondepreciable	126,250
Buildings and Equipment, Depreciable	3,085,885
Less, Accumulated Depreciation	(1,349,804)

Total Noncurrent Assets	1,862,331
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Total Assets	3,019,862
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LIABILITIES

Current Liabilities:

Accrued Salaries & Benefits	157,974
Accrued Expenses	7,867
Current Portion - Long Term Debt	160,000
Accrued Interest	10,341

Total Current Liabilities	336,182
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Noncurrent Liabilities:

Bonds Payable	1,725,000
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Total Liabilities	2,061,182
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NET POSITION

Net Position - Unrestricted	566,089
Net Position - Restricted	425,601
Net Investment in Capital Assets (Deficit)	(33,010)
Total Net Position	\$ 958,680

See accompanying notes to the financial statements

**CONCORD ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

P R O G R A M R E V E N U E S					NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
\$	(795,905)	\$ 9,138	\$ 409,916	\$ -	(376,851)
	(681,355)	-	-	-	(681,355)
	(139,688)	-	-	-	(139,688)
	(73,175)	-	-	-	(73,175)
	(1,690,123)	9,138	409,916	-	(1,271,069)
GENERAL REVENUES:					
	State Foundation Grants (not restricted)				1,442,347
	Interest Earnings				1,130
	Total General Revenues				1,443,477
	Change in Net Position				172,408
	Net Position - Beginning of Year				786,272
	Net Position - End of Year				\$ 958,680

GOVERNMENTAL ACTIVITIES:
Instruction
Support Services
Debt Service Costs/Interest
Unallocated Depreciation

See accompanying notes to the financial statements

**CONCORD ACADEMY PETOSKEY
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2022**

	GENERAL FUND
ASSETS	
Cash	\$ 462,356
Cash - Restricted	425,601
Receivables:	
State Foundation Grant	262,210
Federal Grants	7,364
Total Assets	1,157,531
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accrued Salaries & Benefits	157,974
Accrued Expenses	7,867
Total Liabilities	165,841
Fund Equity:	
Fund Balance - Unassigned	566,089
Fund Balance - Restricted	425,601
Total Fund Equity	991,690
Total Liabilities and Fund Equity	\$ 1,157,531

See accompanying notes to the financial statements

**CONCORD ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2022**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 3)	\$ 991,690
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Amounts reported for governmental activities in the Statement of Net Position (page 2) are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds.	1,862,331
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,885,000)
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Accrued interest is recognized as a liability on the Statement of Net Position, but not in the General Fund	(10,341)
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET POSITION - PAGE 1)	\$ 958,680
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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, 2022**

	GENERAL FUND
Revenues:	
State Sources	\$ 1,442,347
Local Sources	45,739
Federal Sources	373,315
Interst Income	1,130
Total Revenues	1,862,531
Expenditures:	
Instruction	823,663
Supporting Services	771,032
Debt Service:	
Principal	145,000
Interest	137,782
Bank Admin Fee	2,765
Total Expenditures	1,880,242
Excess (Deficiency) of Revenues Over Expenditures	(17,711)
Fund Balance - July 1, 2021	1,009,401
Fund Balance - June 30, 2022	\$ 991,690

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, 2022**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS PER THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - PAGE 5	\$	(17,711)
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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.		117,435
Depreciation expense is not recorded in the fund financial statements.		(73,175)
Debt service principal payments are recorded as expenditures in the fund statements, but only interest is recorded in the statement of activities.		145,000
Governmental funds report interest expense when paid, but the Statement of Activities recognizes the "actual" interest expense, which is adjusted to include accrued amounts.		859

CHANGE IN NET POSITION - PAGE 2	\$	172,408
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See accompanying notes to the financial statements

**CONCORD ACADEMY PETOSKEY
STATEMENT OF CHANGES IN FIDUCIARY ACCOUNTS
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>AGENCY 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)	\$ 7,070	\$ 9,114	\$ 7,452	\$ 8,732

See accompanying notes to the financial statements

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022**

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, 2022**

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, 2022**

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, 2022**

NOTE C: CASH AND INVESTMENTS

The Academy's deposits as of June 30, 2022 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, 2022 was \$887,957 and the bank balance was \$903,406 of which \$500,000 was covered by federal depository insurance and \$403,406 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

	<u>NOT DEPRECIATED</u>	<u>DEPRECIATED</u>		
	<u>Land & Improvements</u>	<u>Buildings & Improvements</u>	<u>Furniture & Equipment</u>	<u>Totals</u>
<i>Governmental Activities</i>				
Capital Assets				
Balance July 1, 2021	\$ 126,250	\$ 2,734,740	\$ 233,710	\$ 3,094,700
Increases	-	94,374	23,061	117,435
Decreases	-	-	-	-
Balance June 30, 2022	<u>126,250</u>	<u>2,829,114</u>	<u>256,771</u>	<u>3,212,135</u>
Accumulated Depreciation				
Balance July 1, 2021	\$ -	\$ 1,064,065	\$ 212,564	\$ 1,276,629
Increases	-	63,276	9,899	73,175
Decreases	-	-	-	-
Balance June 30, 2022	<u>-</u>	<u>1,127,341</u>	<u>222,463</u>	<u>1,349,804</u>
Capital Assets, Net	<u>\$ 126,250</u>	<u>\$ 1,701,773</u>	<u>\$ 34,308</u>	<u>\$ 1,862,331</u>

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE E: LONG-TERM DEBT

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

	<u>7/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/22</u>
Bonds Payable	<u>\$ 2,030,000</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$ 1,885,000</u>

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, 2022, are as follows:

Year Ending June 30	Principal	Interest	Total
2023	160,000	124,094	284,094
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
2028-31	980,000	140,250	1,120,250
Total	<u>\$ 1,885,000</u>	<u>\$ 640,235</u>	<u>\$ 2,525,235</u>

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, 2022.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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 \$425,601. This amount represents the “reserved” balances (\$424,443) in U.S. Bank to be used for future years debt service and \$1,158 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 26, 2022, 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, 2022

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES:				
Local Sources:				
Intermediate School District	\$ 32,270	\$ 32,966	\$ 33,039	\$ 73
LSSU Grant	4,164	8,096	3,562	(4,534)
Interest Income	995	1,123	1,130	7
Miscellaneous	2,650	6,346	9,138	2,792
Total Local Sources	40,079	48,531	46,869	(1,662)
State Sources:				
Foundation Grant/Other	1,380,799	1,440,996	1,442,347	1,351
Total State Sources	1,380,799	1,440,996	1,442,347	1,351
Federal Sources:				
ESSER Grant - COVID	73,735	293,991	294,916	925
Title I	58,047	46,243	43,003	(3,240)
Title II	-	-	5,812	5,812
Title IV Grant	-	10,000	9,991	(9)
Title VI Grant	-	4,000	4,000	-
Rural Grant	-	-	15,593	15,593
Total Federal Sources	131,782	354,234	373,315	19,081
TOTAL REVENUES	1,552,660	1,843,761	1,862,531	18,770
EXPENDITURES:				
Instruction:				
Basic Programs:				
Elementary:				
Purchased Services	387,165	406,305	404,692	1,613
Supplies, Materials and Other Expenses	13,628	30,425	30,397	28
Textbooks	2,043	1,441	1,441	-
Total Elementary	\$ 402,836	\$ 438,171	\$ 436,530	\$ 1,641

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Middle School:				
Purchased Services	\$ 130,492	\$ 113,715	\$ 113,309	\$ 406
Supplies, Materials and Other Expenses	6,060	4,684	4,674	10
Textbooks	931	232	232	-
Total Middle School	137,483	118,631	118,215	416
High School:				
Purchased Services	137,173	164,309	163,307	1,002
On-line Instruction/Dual Enrollment	8,600	4,417	3,372	1,044
Supplies, Materials and Other Expenses	26,518	24,460	24,460	-
Textbooks	7,714	4,000	3,933	67
Total High School	180,005	197,186	195,073	2,113
Special Education:				
Purchased Services	63,167	81,831	81,100	731
Supplies, Other Expenses	250	420	420	-
Total Special Education	63,417	82,251	81,520	731
Total Instruction	783,741	836,239	831,338	4,901
Supporting Services:				
Administration:				
Purchased Services	214,003	224,157	223,551	606
Supplies, Materials and Other Expenses	117,904	91,896	90,961	935
LSSU Oversight Fee	38,689	43,300	43,270	30
Professional Fees	16,150	9,380	9,380	-
COVID-19 Related Supplies & Wages	73,735	168,453	167,338	1,115
Total Administration	\$ 460,481	\$ 537,186	\$ 534,500	\$ 2,686

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Operation and Maintenance of Plant:				
Purchased Services	\$ 26,035	\$ 22,040	\$ 22,025	\$ 15
Utilities	32,800	32,331	32,331	-
Repair and Maintenance	26,570	41,293	41,230	63
Insurance	13,130	13,331	13,331	-
Supplies	6,900	6,426	6,426	-
Telephone	3,600	7,355	7,355	-
Internet	4,500	576	576	-
Capital Outlay	4,500	11,500	11,209	291
Roof and Carpet Improvements	-	95,000	94,374	626
Total Operation and Maintenance	118,035	229,852	228,857	995
Total Supporting Services	578,516	767,038	763,357	3,681
Debt Service:				
Interest - Long Term Debt	134,578	138,000	137,782	218
Principal - Long Term Debt	145,000	145,000	145,000	-
US Bank Admin Fee	2,765	2,765	2,765	-
Total Debt Service	282,343	285,765	285,547	218
Total Expenditures	1,644,600	1,889,042	1,880,242	8,800
Excess (Deficiency) of Revenues Over Expenditures	(91,940)	(45,281)	(17,711)	27,570
Fund Balance - Beginning of Year	1,009,401	1,009,401	1,009,401	-
Fund Balance - End of Year	\$ 917,461	964,120	991,690	\$ 27,570



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, and the major fund of Concord Academy, as of and for the year ended June 30, 2022, 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 26, 2022.

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 2022-1 and 2022-2 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 26, 2022**

**CONCORD ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION II – Financial Statement Findings

2022-1

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, 2022**

SECTION II – Financial Statement Findings (Continued)

2022-2

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.