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September 26, 2008

Management and the Board of Trustees
Honey Creek Community School
Ann Arbor, Michigan

We have completed our audit of the financial statements of Honey Creek Community School as of and for the year ended June 30, 2008 and have issued our report dated September 26, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit and have already met with management on September 25, 2008. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Trustees, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Appendix I
Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in Note 1 of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.

- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.

- Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered During the Audit

There were no difficulties encountered during the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments. Adjustments were primarily related to year end accruals and allocation of grant expenditures.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the 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, Please read all information included in that report to ensure you are aware of relevant information.

Appendix II
Management Comments

In planning and performing our audit of the financial statements of Honey Creek Community School as of and for the year ended June 30, 2008, we considered Honey Creek Community School's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of the following matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated September 26, 2008, on the financial statements of Honey Creek Community School. Our comments and recommendations regarding those matters are:

PRIOR YEAR – ACCOUNT RECONCILIATIONS

The balance sheet accounts were reconciled this year prior to the audit.

ACCOUNTING SOFTWARE

The School uses QuickBooks for its accounting software. In many cases QuickBooks is the best option for accounting software and there are very good business reasons to use QuickBooks. It is however important that Management and those charged with governance understand the inherent limitations of the QuickBooks accounting software package. QuickBooks, unlike most other accounting software packages, does not provide for an irreversible closing of fiscal years. Instead, QuickBooks provides an option to password protect the accounting records up through a specific date. We encourage all users of QuickBooks to implement this option and password protect those years which have been audited, after audit adjustments are posted. We recommend that changes not be made to prior periods once the password has been entered.

We recommend that you continue appropriate monitoring procedures to ensure that these inherent limitations in the software are not allowing financial information to be accidentally changed for prior periods. We recommend that the Treasurer's review the financial statements from QuickBooks. Include monitoring the "equity" and "retained earnings" accounts to ensure that the balance listed on the balance sheet continues to match the balance listed on the audited financial statements of the prior year. Any discrepancies should be investigated, and correcting entries made to restore the "retained earnings" balance to the prior year audited amount.

IRS FORM 990

The IRS has modified the Form 990. The School has time to evaluate and implement the Best Practices for not-for-profit organizations identified by the IRS. The following questions are on the redesigned information return.

	Yes	No
Do the governance policies and procedures include:		
Conflict of interest policy?		
Annual disclosure of interests that can give rise to conflicts?		
Whistle-blower policy?		
Document retention and destruction policy?		
Independence standard for voting members?		
Contemporaneous meeting minutes for the board of directors and committees with authority to act on behalf of the board?		
Board review of Form 990 prior to filing?		
Does the process for determining the compensation of the CEO, executive director or top management official include:		
A review and approval of independent persons?		
Comparability data?		
Contemporaneous substantiation of the deliberation and decision?		

In order to respond "yes" on IRS Form 990, the policies and procedures identified above need to be implemented before the last day of the reporting period. Although these items are considered best practices by the IRS, they will need to be disclosed on the new 2008 Form 990. Not following the best practices may have donor ramifications once the revised Form 990 is available for public inspection.