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January 17, 2024

Charter School Board
Friends of Canaan, Inc.
d/b/a Canaan Community Academy
Jefferson County, Indiana

We have reviewed the audit report of Friends of Canaan, Inc. d/b/a Canaan Community Academy, which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Friends of Canaan, Inc. d/b/a Canaan Community Academy as of June 30, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, CliftonLarsonAllen LLP prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Friends of Canaan, Inc. d/b/a Canaan Community Academy, was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2023 AND 2022



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**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of Canaan, Inc.
dba: Canaan Community Academy
Madison, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Friends of Canaan, Inc. dba: Canaan Community Academy (the School), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). For the year ended June 30, 2023, we also conducted our audit in accordance with 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. 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 GAAS 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 GAAS 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 the School'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 the School'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.

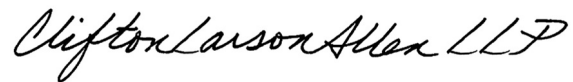
Supplementary Information

Our audits were conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Board of Directors
Friends of Canaan, Inc.
dba: Canaan Community Academy

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023 on our consideration of the School'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 the School'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 the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
December 14, 2023

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 104,983	\$ 146,545
Grants Receivable	176,080	80,327
In-Kind Rent Receivable	895,821	115,752
Prepaid Expenses	8,838	8,436
Total Current Assets	1,185,722	351,060
PROPERTY AND EQUIPMENT		
Leasehold Improvements	403,273	285,724
Furniture and Equipment	564,692	295,864
Textbooks	141,309	141,310
Vehicles	380,631	233,214
Less: Accumulated Depreciation	(515,306)	(455,603)
Property and Equipment, Net	974,599	500,509
Operating Right of Use (ROU) Asset	1,444	-
Total Assets	\$ 2,161,765	\$ 851,569
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 17,644	\$ 16,655
Accounts Payable and Accrued Expenses	134,116	169,248
Operating Lease Liability - Current Portion	1,444	-
Deferred Revenue	19,853	116,400
Total Current Liabilities	173,057	302,303
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	-	17,607
Total Liabilities	173,057	319,910
NET ASSETS		
Without Donor Restrictions	1,092,887	415,907
With Donor Restrictions	895,821	115,752
Total Net Assets	1,988,708	531,659
Total Liabilities and Net Assets	\$ 2,161,765	\$ 851,569

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
State Education Support	\$ 1,348,976	\$ -	\$ 1,348,976	\$ 999,996	\$ -	\$ 999,996
Grant Revenue	1,084,351	-	1,084,351	774,481	-	774,481
Student Fees	1,195	-	1,195	288	-	288
Contributions	17,264	-	17,264	4,637	-	4,637
Other Income	17,305	-	17,305	44,881	-	44,881
In-kind Contribution	-	938,132	938,132	-	-	-
Net Assets Released from Restrictions	158,063	(158,063)	-	150,897	(150,897)	-
Total Revenue and Support	<u>2,627,154</u>	<u>780,069</u>	<u>3,407,223</u>	<u>1,975,180</u>	<u>(150,897)</u>	<u>1,824,283</u>
EXPENSES						
Program Services	1,658,755	-	1,658,755	1,578,589	-	1,578,589
Management and General	291,419	-	291,419	240,719	-	240,719
Total Expenses	<u>1,950,174</u>	<u>-</u>	<u>1,950,174</u>	<u>1,819,308</u>	<u>-</u>	<u>1,819,308</u>
CHANGE IN NET ASSETS	676,980	780,069	1,457,049	155,872	(150,897)	4,975
Net Assets - Beginning of Year	<u>415,907</u>	<u>115,752</u>	<u>531,659</u>	<u>260,035</u>	<u>266,649</u>	<u>526,684</u>
NET ASSETS - END OF YEAR	<u>\$ 1,092,887</u>	<u>\$ 895,821</u>	<u>\$ 1,988,708</u>	<u>\$ 415,907</u>	<u>\$ 115,752</u>	<u>\$ 531,659</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 843,393	\$ 119,567	\$ 962,960	\$ 833,317	\$ 117,322	\$ 950,639
Employee Benefits	228,386	9,991	238,377	210,093	7,636	217,729
Classroom, Kitchen, and Office Supplies	59,363	20,652	80,015	29,293	8,218	37,511
Professional Services	77,264	53,952	131,216	116,175	38,228	154,403
Food Costs	58,493	-	58,493	42,039	-	42,039
Depreciation	59,702	-	59,702	43,946	-	43,946
Occupancy	207,759	-	207,759	181,352	-	181,352
Property Rental and Maintenance	60,481	-	60,481	43,655	-	43,655
Equipment	7,580	-	7,580	51,582	-	51,582
Insurance	-	38,517	38,517	-	31,238	31,238
Authorizer Oversight Fees	-	36,294	36,294	-	26,765	26,765
Contracted Transportation Services	34,330	-	34,330	17,100	-	17,100
Interest	-	1,631	1,631	-	2,579	2,579
Other	22,004	10,815	32,819	10,037	8,733	18,770
Total Functional Expenses	<u>\$ 1,658,755</u>	<u>\$ 291,419</u>	<u>\$ 1,950,174</u>	<u>\$ 1,578,589</u>	<u>\$ 240,719</u>	<u>\$ 1,819,308</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,457,049	\$ 4,975
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	59,702	43,946
In-Kind Contribution	(780,069)	150,897
Changes in Operating Assets and Liabilities:		
Grants Receivable	(95,753)	7,505
Prepaid Expenses	(402)	19,880
Accounts Payable and Accrued Expenses	(35,132)	13,932
Deferred Revenue	(96,547)	72,400
Refundable Advances	-	(815)
Net Cash Provided by Operating Activities	508,848	312,720
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(533,792)	(319,240)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Repayment of Note Payable	(16,618)	(15,670)
NET CHANGE IN CASH	(41,562)	(22,190)
Cash - Beginning of Year	146,545	168,735
CASH - END OF YEAR	\$ 104,983	\$ 146,545
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 1,631	\$ 2,579

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Friends of Canaan, Inc. dba: Canaan Community Academy (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 160 students in grades kindergarten through eight and is sponsored by Ball State University.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). This method records revenue and related assets when earned and records expense and related liabilities when the obligations are incurred. These financial statements report amounts separately by class of net assets.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment, and paid in monthly installments in July through June, coinciding with the academic school year. Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2023 and 2022, the School had \$19,853 and \$116,400, respectively, of deferred revenue for grant funds received in advance of related reimbursable expenses.

Cash

Cash consists of cash held in bank accounts. The School considers all demand accounts to be cash.

Grants Receivable and Revenue

Grants receivable and revenue relate primarily to activities funded under federal programs and legislation enacted by the state of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are measured at their fair values and are reported as an increase in net assets. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Taxes on Income

Friends of Canaan, Inc. has received a determination from the U.S. Internal Revenue Service (IRS) stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2023 and 2022, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Property and Equipment

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$5,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold Improvements	40 Years
Furniture and Equipment	3 to 10 Years
Textbooks	4 Years
Vehicles	5 to 10 Years

FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Classification of Net Assets

Net assets of the School are classified based on the presence or absence of donor-imposed restrictions and are defined as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the School.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. All of the net assets with donor of restrictions of the School related to the in-kind rent receivable as further described in Note 2. The School did not have any net assets with donor restrictions that are perpetual in nature as of June 30, 2023 and 2022.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or applicable state law.

Accounting Pronouncements and Future Changes in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements and Future Changes in Accounting Principle (Continued)

The School has elected to adopt the package of practical expedients available in the year of adoption. The School has also elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

Leases

The School determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the balance sheet.

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the School has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

As a result of adoption of this standard, the School recognized a ROU asset of \$2,846 and liability of \$2,846 as of the July 1, 2022 date of adoption. Additional detail regarding leases is provided in Note 5, Leases. At June 30, 2023, the School had a right-of-use asset – operating, net, of \$1,444 and a right-of-use liability – operating of \$1,444.

Subsequent Events

The School evaluated subsequent events through December 14, 2023, the date these financial statements were available to be issued.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 IN-KIND RENT RECEIVABLE

The School leases its facility under an operating lease with Shelby Township. Shelby Township is providing a donation to the School by allowing it to occupy the government-owned building for an annual lease payment of \$1, below market rent, through March 2023. The present value of the contribution, as determined at the date of the lease was effective using a 2.58% interest rate, is recorded in net assets with donor restrictions and in-kind receivable. Annually, this receivable is amortized and released from restriction. The School is responsible for all repairs, maintenance, utilities, and insurance.

In April 2023, the School entered into a new lease agreement with Shelby Township, with an effective date of March 1, 2023. Shelby Township is providing a donation to the School by allowing it to occupy the government-owned building for an annual lease payment of \$1, below market rent, through February 2028. The present value of the contribution, as determined at the date of the lease was effective using a 4.27% interest rate, is recorded in net assets with donor restrictions and in-kind receivable. Annually, this receivable is amortized and released from restriction. The School is responsible for all repairs, maintenance, utilities, and insurance.

NOTE 3 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Note payable to German American Bank, payable \$1,521 monthly including interest at 6.00% per annum, maturing in June 2024, secured by two buses.	\$ 17,644	\$ 34,262
Less: Current Portion	<u>(17,644)</u>	<u>(16,655)</u>
Long-Term Portion	<u>\$ -</u>	<u>\$ 17,607</u>

Principal maturities of notes payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	<u>\$ 17,644</u>

NOTE 4 RETIREMENT PLAN

The School offers retirement benefits to its employees through both 403(b) and 401(a) defined contribution retirement plans. The 403(b) plan is funded solely by employee contributions. The School contributes 7.5% of each employee's salary for all full-time employees to the 401(a) plan. Retirement plan expense, net of forfeitures, was \$51,562 and \$57,391 for the years ended June 30, 2023 and 2022, respectively.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 LEASES

ASC 842 for 2023

The School leases two copiers from a third party under a long-term, noncancelable lease agreement. The lease expires in 2024. In the normal course of business, it is expected that this lease will be renewed or replaced by similar leases. Lease expense associated with all third-party leases was \$2,846 for the year ended June 30, 2023

Lease Cost:	
Operating Lease Cost:	\$ 2,846
Other Information:	
Operating Cash Flows from Operating Leases	\$ (1,464)
Right-of-Use Assets Obtained in Exchange for New	
Operating Lease Liabilities:	\$ 1,444
Weighted-Average Remaining Lease Term -	
Operating Leases:	1 year
Weighted-Average Discount Rate - Operating Leases	3.00%

A maturity analysis of annual discounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	<u>\$ 1,444</u>

NOTE 6 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$36,294 and \$26,765 for the years ended June 30, 2023 and 2022, respectively. The charter remains in effect until June 30, 2027 and is renewable thereafter by mutual consent.

NOTE 7 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Madison and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 RISKS AND UNCERTAINTIES (CONTINUED)

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2023, substantially all of the receivable balance was due from the state of Indiana.

In addition, bank deposits are maintained primarily at First Financial Bank, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. Funds held at this financial institution exceed the FDIC insurance limit.

NOTE 8 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2023 and 2022 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash and grants receivable. Financial assets at June 30, 2023 and 2022 total \$281,063 and \$226,872, respectively, all of which are available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 9 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories is required.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
OTHER REPORT
JUNE 30, 2023 AND 2022**

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Friends of Canaan, Inc.
dba: Canaan Community Academy

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.



**INDEPENDENT AUDITORS' 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***

Board of Directors
Friends of Canaan, Inc.
dba: Canaan Community Academy
Madison, Indiana

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 Friends of Canaan, Inc. dba: Canaan Community Academy (the School), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we the School'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 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 School'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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Board of Directors
Friends of Canaan, Inc.
dba: Canaan Community Academy

Report on Compliance and Other Matters

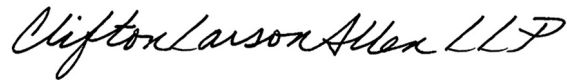
As part of obtaining reasonable assurance about whether the School’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The School’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School’s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School’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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
December 14, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Friends of Canaan, Inc.
dba: Canaan Community Academy
Madison, Indiana

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Friends of Canaan, Inc. dba: Canaan Community Academy's (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on 84.282 Charter Schools

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on 84.282 Charter Schools for the year ended June 30, 2023.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on 84.282 Charter Schools

As described in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding Assistance Listing No. 84.282 Charter Schools as described in finding numbers 2023-002 for Procurement, Suspension and Debarment.

Compliance with such requirements is necessary, in our opinion, for the School to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Board of Directors
Friends of Canaan, Inc.
dba: Canaan Community Academy

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002, to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Indianapolis, Indiana
December 14, 2023

FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through from Indiana Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	N/A	\$ -	\$ 83,778
School Breakfast Program	10.553	N/A	-	34,301
Total Child Nutrition Cluster			<u>-</u>	<u>118,079</u>
Total U.S. Department of Agriculture			-	118,079
U.S. Department of Education				
Passed through from Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A210014	-	14,756
Title I Grants to Local Educational Agencies	84.010	S010A220014	-	82,271
Total Assistance Listing Number 84.010			<u>-</u>	<u>97,027</u>
Special Education Cluster (IDEA):				
Passed through from Indiana Department of Education:				
Special Education Grants to States	84.027	H027A220084	-	27,952
Total Assistance Listing Number 84.027			<u>-</u>	<u>27,952</u>
Total Special Education Cluster (IDEA)			-	27,952
Passed through from Indiana Department of Education:				
Charter Schools	84.282	U282A210017	-	328,061
Total Assistance Listing Number 84.282			<u>-</u>	<u>328,061</u>
Passed through from Indiana Department of Education:				
Rural Education Grant	84.358	S358A211168	-	6
Total Assistance Listing Number 84.358			<u>-</u>	<u>6</u>
Passed through from Indiana Department of Education:				
Education Stabilization Fund:				
COVID 19: Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	-	68,358
COVID 19: American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	S425U210013	-	157,617
Total Assistance Listing Number 84.425			<u>-</u>	<u>225,975</u>
Total U.S. Department of Education			<u>-</u>	<u>679,021</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 797,100</u>

FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Friends of Canaan, Inc. dba: Canaan Community Academy (the School) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position of the School.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or a limited as to reimbursement.

The School has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

**FRIENDS OF CANAAN, INC.
 DBA: CANAAN COMMUNITY ACADEMY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 YEAR ENDED JUNE 30, 2023
 (SEE INDEPENDENT AUDITORS' REPORT)**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Qualified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.282	Charter School Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 187,500

Auditee qualified as low-risk auditee? yes x no

FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

2023 – 001: Material Audit Adjustment

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the year ended June 30, 2023, the School entered into a below-market lease agreement but had not properly recorded the financial impact of this in-kind contribution in its financial statements.

Criteria or specific requirement: In accordance with Accounting Standard Codification (ASC) Topic 958-605, a below-market lease should be recorded as an in-kind contribution and recognized in the period of inception of the lease.

Effect: The School's records did not reflect the accurate accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP) for the below-market lease agreement entered into during the year ended June 30, 2023.

Cause: The School records are recorded on a cash basis throughout the year and the year-end accruals did not include this adjustment to GAAP.

Repeat Finding: No.

Recommendation: We recommend that the School review their year end reporting and cash to accrual basis entries to ensure all items are properly reflected in accordance with US GAAP.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

Section III – Findings and Questioned Costs – Major Federal Programs

2023 – 002: Procurement, Suspension and Debarment

Federal Agency: U.S. Department Education

Federal Program Name: Charter School Program

Assistance Listing Number: 84.282

Federal Award Identification Number and Year: U282A210017

Pass-Through Agency: Indiana Department of Education

Pass-Through Number(s): None noted.

Award Period: July 1, 2022 through June 30, 2023

FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 002: Procurement, Suspension and Debarment (Continued)

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Material Noncompliance (Modified Opinion)

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of procurement, suspension, and debarment. The School should have internal controls designed to ensure compliance with those provisions.

Condition: During our testing, we noted the School did not have adequate internal controls designed to ensure vendors were procured following a proper procurement policy, as well as procedures in place to these vendors were not suspended or debarred.

Questioned costs: None

Context: During our testing, it was noted that the School did not have a proper procurement policy in place, thus no policy to follow. The School also, was not reviewing vendors prior to entering into a contract with a vendor to ensure the vendor was not on the suspended or debarred vendor list maintained by the General Services Administration.

Cause: As this was a first-year single audit for the School, the School was unaware of the federal Procurement and Suspension & Debarment requirements. Thus, the School was unaware the contractors were required to be reviewed prior to entering into a contract to ensure they were not suspended or debarred.

Effect: The auditor noted no instances of noncompliance with the provisions of procurement, suspension, and debarment; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

Repeat Finding: No.

Recommendation: We recommend the School, implement a policy surrounding procurement which encompasses the federal requirements, and design controls to follow this policy and to ensure an adequate review process is in place to review potential contractors to determine they are not suspended or debarred.

Views of responsible officials: There is no disagreement with the audit finding.



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**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023**

United States Department of Education

Friends of Canaan, Inc. dba: Canaan Community Academy (the School) respectfully submits the following corrective action plan for the year ended June 30, 2023.

Audit period: July 01, 2022 - June 30, 2023

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2023-001 Material Audit Adjustment

Recommendation: We recommend that the School review their year-end reporting and cash to accrual basis entries to ensure all items are properly reflected in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Audit adjustment has been posted. Review of new agreements will be conducted annually with the appropriate accounting adjustments posted prior to fiscal year end.

Name of the contact person responsible for corrective action: Darin Greggs

Planned completion date for corrective action plan: 12/09/2023

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

UNITED STATES DEPARTMENT OF EDUCATION

2023-002 Charter School Program: Assistance Listing No. 84.282

Recommendation: We recommend that the school implement Procurement and Suspension and debarment policies and ensure that any missing federal requirements are included in their written policies.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: School to implement a Procurement with the appropriate suspension and disbarment policies.

Name of the contact person responsible for corrective action: Rhonda Pennington

Planned completion date for corrective action plan: January 15, 2024

If the United States Department of Education has questions regarding this plan, please call Rhonda Pennington, Chief Administrative Officer, at 812-839-0003.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023**