



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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February 5, 2025

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, 2023 to June 30, 2024. 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, 2024 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 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**

**YEARS ENDED JUNE 30, 2024 AND 2023**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

**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, which comprise the statements of financial position as of June 30, 2024 and 2023, 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 Friends of Canaan, Inc. dba: Canaan Community Academy as of June 30, 2024 and 2023, 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). 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 Friends of Canaan, Inc. dba: Canaan Community Academy 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 Friends of Canaan, Inc. dba: Canaan Community Academy'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 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, 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 Friends of Canaan, Inc. dba: Canaan Community 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 Friends of Canaan, Inc. dba: Canaan Community 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.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
November 26, 2024

**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2024 AND 2023**

	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 455,947	\$ 104,983
Grants Receivable	60,959	176,080
In-Kind Rent Receivable	721,997	895,821
Prepaid Expenses	54,636	8,838
Total Current Assets	1,293,539	1,185,722
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold Improvements	591,973	403,273
Furniture and Equipment	596,514	564,692
Textbooks	141,309	141,309
Vehicles	380,631	380,631
Less: Accumulated Depreciation	(601,100)	(515,306)
Property and Equipment, Net	1,109,327	974,599
Operating Right of Use (ROU) Asset	-	1,444
Total Assets	\$ 2,402,866	\$ 2,161,765
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Notes Payable	\$ -	\$ 17,644
Accounts Payable and Accrued Expenses	176,432	134,116
Operating Lease Liability - Current Portion	-	1,444
Deferred Revenue	34,423	19,853
Total Current Liabilities	210,855	173,057
Total Liabilities	210,855	173,057
<b>NET ASSETS</b>		
Without Donor Restrictions	1,470,014	1,092,887
With Donor Restrictions	721,997	895,821
Total Net Assets	2,192,011	1,988,708
Total Liabilities and Net Assets	\$ 2,402,866	\$ 2,161,765

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, 2024 AND 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
State Education Support	\$ 1,796,128	\$ -	\$ 1,796,128	\$ 1,348,976	\$ -	\$ 1,348,976
Grant Revenue	771,516	-	771,516	1,084,351	-	1,084,351
Student Fees	1,508	-	1,508	1,195	-	1,195
Contributions	9,168	-	9,168	17,264	-	17,264
Other Income	38,704	-	38,704	17,305	-	17,305
In-kind Contribution	-	-	-	-	938,132	938,132
Net Assets Released from Restrictions	173,824	(173,824)	-	158,063	(158,063)	-
Total Revenue and Support	<u>2,790,848</u>	<u>(173,824)</u>	<u>2,617,024</u>	<u>2,627,154</u>	<u>780,069</u>	<u>3,407,223</u>
<b>EXPENSES</b>						
Program Services	1,990,030	-	1,990,030	1,658,755	-	1,658,755
Management and General	423,691	-	423,691	291,419	-	291,419
Total Expenses	<u>2,413,721</u>	<u>-</u>	<u>2,413,721</u>	<u>1,950,174</u>	<u>-</u>	<u>1,950,174</u>
<b>CHANGE IN NET ASSETS</b>	377,127	(173,824)	203,303	676,980	780,069	1,457,049
Net Assets - Beginning 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>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,470,014</u>	<u>\$ 721,997</u>	<u>\$ 2,192,011</u>	<u>\$ 1,092,887</u>	<u>\$ 895,821</u>	<u>\$ 1,988,708</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024			2023		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 1,057,926	\$ 168,560	\$ 1,226,486	\$ 843,393	\$ 119,567	\$ 962,960
Employee Benefits	274,552	22,503	297,055	228,386	9,991	238,377
Classroom, Kitchen, and Office Supplies	69,993	22,209	92,202	59,363	20,652	80,015
Professional Services	88,916	105,740	194,656	77,264	53,952	131,216
Food Costs	62,979	-	62,979	58,493	-	58,493
Depreciation	85,794	-	85,794	59,702	-	59,702
Occupancy	235,740	-	235,740	207,759	-	207,759
Property Rental and Maintenance	46,212	-	46,212	60,481	-	60,481
Equipment	10,751	-	10,751	7,580	-	7,580
Insurance	-	49,635	49,635	-	38,517	38,517
Authorizer Oversight Fees	-	47,949	47,949	-	36,294	36,294
Contracted Transportation Services	28,509	-	28,509	34,330	-	34,330
Interest	-	635	635	-	1,631	1,631
Other	28,658	6,460	35,118	22,004	10,815	32,819
<b>Total Functional Expenses</b>	<b><u>\$ 1,990,030</u></b>	<b><u>\$ 423,691</u></b>	<b><u>\$ 2,413,721</u></b>	<b><u>\$ 1,658,755</u></b>	<b><u>\$ 291,419</u></b>	<b><u>\$ 1,950,174</u></b>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 203,303	\$ 1,457,049
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	85,794	59,702
In-Kind Contribution	173,824	(780,069)
Changes in Operating Assets and Liabilities:		
Grants Receivable	115,121	(95,753)
Prepaid Expenses	(45,798)	(402)
Accounts Payable and Accrued Expenses	42,316	(35,132)
Deferred Revenue	14,570	(96,547)
Net Cash Provided by Operating Activities	<u>589,130</u>	<u>508,848</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(220,522)	(533,792)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Repayment of Note Payable	<u>(17,644)</u>	<u>(16,618)</u>
<b>NET CHANGE IN CASH</b>	350,964	(41,562)
Cash - Beginning of Year	<u>104,983</u>	<u>146,545</u>
<b>CASH - END OF YEAR</b>	<u>\$ 455,947</u>	<u>\$ 104,983</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	<u>\$ 635</u>	<u>\$ 1,631</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**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 200 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, 2024 and 2023, the School had \$34,423 and \$19,853 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, 2024 AND 2023**

**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, 2024 and 2023, 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 \$1,000 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 4 Years
Textbooks	4 Years
Vehicles	5 to 10 Years

**FRIENDS OF CANAAN, INC.**  
**DBA: CANAAN COMMUNITY ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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, 2024 and 2023.

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.

**Adoption of New Accounting Standard**

During the year ended June 30, 2024, the School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended*, which modifies the measurement of expected credit losses. The School adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the School's financial statements but did change how the allowance for credit losses is determined.

**FRIENDS OF CANAAN, INC.**  
**DBA: CANAAN COMMUNITY ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Subsequent Events**

The School evaluated subsequent events through November 26, 2024, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**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.

**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 2 IN-KIND RENT RECEIVABLE (CONTINUED)**

In April 2023, the School entered into a 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>2024</u>	<u>2023</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
Less: Current Portion	-	(17,644)
Long-Term Portion	<u>\$ -</u>	<u>\$ -</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 \$67,318 and \$51,562 for the years ended June 30, 2024 and 2023, respectively.

**NOTE 5 LEASES**

The School leases two copiers from a third party under a long-term, noncancelable lease agreement. The lease expired 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 \$2,667 and \$2,846 for the years ended June 30, 2024 and 2023, respectively.

**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 5 LEASES (CONTINUED)**

	2024	2023
Lease Cost:		
Operating Lease Cost:	\$ 2,667	\$ 2,846
Total Lease Cost	\$ 2,667	\$ 2,846
Other Information:		
Operating Cash Flows from Operating Leases	\$ (1,444)	\$ (1,464)
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	-	-
Weighted-Average Remaining Lease Term - Operating Leases:	N/A	1 year
Weighted-Average Discount Rate - Operating Leases	N/A	3.00%
Short-Term Lease Liabilities	\$ -	\$ 1,444
Long-Term Lease Liabilities	-	-
Total	\$ -	\$ 1,444
<u>Year Ending December 31,</u> 2024	Amount	Amount \$ 1,444

**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 \$47,949 and \$36,294 for the years ended June 30, 2024 and 2023, 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, 2024 AND 2023**

**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 2024, 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, 2024 and 2023 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, 2024 and 2023 total \$516,906 and \$281,063, 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, 2024**

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*.



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