



STATE OF INDIANA
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December 26, 2019

Charter School Board
Friends of Canaan, Inc.
d/b/a Canaan Community Academy
8775 N Canaan Main Street
Madison, IN 47250

We have reviewed the Supplemental Audit Report for Friends of Canaan, Inc. d/b/a Canaan Community Academy, prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the finding in the report. Page 3 contains one audit result and comment. Management's response is on page 5.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL AUDIT REPORT
OF
FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY
JEFFERSON COUNTY, INDIANA
July 1, 2018 to June 30, 2019



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CANAAN COMMUNITY ACADEMY
JEFFERSON COUNTY, INDIANA
School Officials
July 1, 2018 to June 30, 2019

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	David Herring	07/01/18 – 06/30/19
Chief Administrative Officer	Rhonda Pennington	07/01/18 – 06/30/19
Chief Operations Officer	Megan Ritz	07/01/18 – 06/30/19



Donovan CPAs

The Board of Directors
Friends of Canaan, Inc.

We have audited the financial statements of Friends of Canaan, Inc. d/b/a Canaan Community Academy (the "School") as of and for the year ended June 30, 2019 and have issued our report thereon dated December 12, 2019. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Indianapolis, Indiana
December 17, 2019

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CANAAN COMMUNITY ACADEMY
JEFFERSON COUNTY, INDIANA
Audit Results and Comments
July 1, 2018 to June 30, 2019

VENDOR DISBURSEMENTS

We tested a sample of twenty-five cash disbursements. Out of the twenty-five items tested, we noted three instances where sales tax was paid.

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

CANAAN COMMUNITY ACADEMY
JEFFERSON COUNTY, INDIANA
Exit Conference
July 1, 2018 to June 30, 2019

The contents of this report were discussed on December 17, 2019 with Rhonda Pennington (Chief Administrative Officer) and Megan Ritz (Chief Operations Officer). The Official Response has been made a part of this report and may be found on page 5.



8775 N. Canaan Main Street
P.O. Box 20
Canaan, IN 47224
Rhonda Pennington, Chief Administrative Officer
Megan Ritz, Chief Operations Officer
812-839-0003

December 17, 2019

RE: Management's Response to the Findings in the SBOA Report for Canaan Community Academy

This letter is in response to the findings from Donovan when completing the 2018/2019 Fiscal Year Audit for Canaan Community Academy.

1. Vendor Disbursements

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. (Accounting and Uniform Compliance Guidelines manual for Indiana Charter Schools, Part 10)

Remedy: In order to remedy the finding of the inadequacy of the exemption of sales tax for all purchases made by Canaan Community Academy, we will verify that all business we make purchases through have a copy of our sales tax exemption form.

Thank you for your understanding and cooperation of the audit findings during the 2018/2019 Audit of Canaan Community Academy. If you have any other questions or concerns regarding the audit of Canaan Community Academy, please do not hesitate to contact the school at 812-839-0003.

Sincerely,

Megan Ritz, Chief Operations Officer

Rhonda Pennington, Chief Administrative Officer