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March 17, 2021

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 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, 2019 to June 30, 2020. 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, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Emphasis-of-Matter Regarding a Correction of an Error paragraph included in the Independent Auditors' Report and further detailed in Note 9.

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

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


Paul D. Joyce, CPA
State Examiner

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019



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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

We have audited the accompanying financial statements of Friends of Canaan, Inc. dba: Canaan Community Academy, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

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, 2020, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 9 to the financial statements, certain errors resulting in understatement of amounts previously reported for in-kind rent receivable and net assets with donor restrictions as of June 30, 2018 and of occupancy expense for June 30, 2019, were discovered by management of the entity during the current year. Accordingly, amounts reported for in-kind rent receivable, net assets with donor restrictions, and occupancy expense have been restated in the 2019 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2018, and to occupancy expense for the year ended June 30, 2019 to correct the error. Our opinion is not modified with respect to that matter.

Adjustments to Prior Period Financial Statements

The financial statements of Canaan Community Academy as of June 30, 2020, were audited by other auditors whose opinion dated December 12, 2019 expressed an unmodified opinion on those statements. As discussed in Note 9, the School has restated its 2019 financial statements during the current year to properly report in-kind rent receivable and net asset with donor restrictions as of June 30, 2018 and in-kind rent receivable, occupancy expense, and net assets with donor restrictions for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2019 financial statements before the restatement.

As part of our audit of the 2020 financial statements, we also audited adjustments described in Note 9 that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the School other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.



CliftonLarsonAllen LLP

Indianapolis, Indiana
March 4, 2021

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	(As Restated) 2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 274,771	\$ 289,439
Grants Receivable	38,203	14,058
In-Kind Rent Receivable	413,706	557,022
Prepaid Expenses	15,569	78
Total Current Assets	742,249	860,597
PROPERTY AND EQUIPMENT		
Leasehold Improvements	24,274	7,027
Furniture and Equipment	281,364	277,969
Textbooks	87,548	87,548
Vehicles	95,480	95,480
Less: Accumulated Depreciation	(378,893)	(362,379)
Property and Equipment, Net	109,773	105,645
Total Assets	\$ 852,022	\$ 966,242
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 14,776	\$ 13,917
Accounts Payable and Accrued Expenses	128,046	82,245
Deferred Revenue	4,625	-
Refundable Advances	815	815
Total Current Liabilities	148,262	96,977
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	49,884	64,583
Total Long-Term Liabilities	49,884	64,583
Total Liabilities	198,146	161,560
NET ASSETS		
Without Donor Restrictions	240,170	247,660
With Donor Restrictions	413,706	557,022
Total Net Assets	653,876	804,682
Total Liabilities and Net Assets	\$ 852,022	\$ 966,242

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, 2020 AND 2019**

	2020			2019 (As Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
State Education Support	\$ 1,072,848	-	\$ 1,072,848	\$ 933,988	-	\$ 933,988
Grant Revenue	329,719	-	329,719	303,099	-	303,099
Student Fees	2,650	-	2,650	7,968	-	7,968
Contributions	9,580	-	9,580	8,238	-	8,238
Other Income	16,647	-	16,647	50,746	-	50,746
Net Assets Released from Restrictions	143,316	(143,316)	-	139,669	(139,669)	-
Total Revenue and Support	<u>1,574,760</u>	<u>(143,316)</u>	<u>1,431,444</u>	<u>1,443,708</u>	<u>(139,669)</u>	<u>1,304,039</u>
EXPENSES						
Program Services	1,304,636	-	1,304,636	1,082,265	-	1,082,265
Management and General	277,614	-	277,614	281,807	-	281,807
Total Expenses	<u>1,582,250</u>	<u>-</u>	<u>1,582,250</u>	<u>1,364,072</u>	<u>-</u>	<u>1,364,072</u>
CHANGE IN NET ASSETS	(7,490)	(143,316)	(150,806)	79,636	(139,669)	(60,033)
Net Assets - Beginning of Year	247,660	557,022	804,682	168,024	-	168,024
Prior Period Adjustment - See Note 9	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>696,691</u>	<u>696,691</u>
NET ASSETS - END OF YEAR	<u>\$ 240,170</u>	<u>\$ 413,706</u>	<u>\$ 653,876</u>	<u>\$ 247,660</u>	<u>\$ 557,022</u>	<u>\$ 804,682</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019 (As Restated)		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 690,086	\$ 136,240	\$ 826,326	\$ 544,689	\$ 133,695	\$ 678,384
Employee Benefits	136,587	27,274	163,861	126,740	29,709	156,449
Classroom, Kitchen, and Office Supplies	32,444	10,235	42,679	38,308	22,270	60,578
Professional Services	134,731	41,470	176,201	121,465	41,939	163,404
Food Costs	54,122	-	54,122	29,127	-	29,127
Depreciation	16,514	-	16,514	12,802	-	12,802
Occupancy	167,921	-	167,921	162,336	-	162,336
Property Rental and Maintenance	22,446	-	22,446	20,635	-	20,635
Equipment	34,421	-	34,421	9,682	-	9,682
Insurance	-	17,473	17,473	-	18,897	18,897
Authorizer Oversight Fees	-	27,649	27,649	-	19,909	19,909
Contracted Transportation Services	-	-	-	980	-	980
Interest	-	4,409	4,409	-	44	44
Staff Development	1,758	-	1,758	6,934	-	6,934
Other	13,606	12,864	26,470	8,567	15,344	23,911
Total Functional Expenses	<u>\$ 1,304,636</u>	<u>\$ 277,614</u>	<u>\$ 1,582,250</u>	<u>\$ 1,082,265</u>	<u>\$ 281,807</u>	<u>\$ 1,364,072</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	(As Restated) 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (150,806)	\$ (60,033)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	16,514	12,802
In-Kind Rent Receivable	143,316	139,669
Changes in Operating Assets and Liabilities:		
Grants Receivable	(24,145)	204
Prepaid Expenses	(15,491)	18,327
Accounts Payable and Accrued Expenses	45,801	29,182
Deferred Revenue	4,625	-
Refundable Advances	-	(14,783)
Net Cash Provided by Operating Activities	19,814	125,368
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(20,642)	(11,879)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Repayment of Note Payable	(13,840)	(4,459)
NET CHANGE IN CASH	(14,668)	109,030
Cash - Beginning of Year	289,439	180,409
CASH - END OF YEAR	\$ 274,771	\$ 289,439
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 4,409	\$ 980
Buses Financed with a Long-Term Note Payable	\$ 78,500	\$ 78,500

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 120 students in grades kindergarten through six 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 principals generally accepted in the United States of America (U.S. 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.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable the financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. No cumulative-effect adjustments in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the School's reported historical revenue. The early implementation of the standard did not significantly impact the School's financial statements.

In June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard did not significantly impact the School's financial statements.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

The School has \$815 as of June 30, 2020 and 2019 of conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, 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

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.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019.

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.

Subsequent Events

The School evaluated subsequent events through March 4, 2021, the date these financial statements were available to be issued.

On January 12, 2021, the School received federal stimulus support through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Total funds received via the CARES Act totaled approximately \$31,616.

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 at approximately \$145,000. 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, 2020 AND 2019**

NOTE 3 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2020</u>	<u>2019</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.	\$ 64,660	\$ 78,500
Less: Current Portion	<u>(14,776)</u>	<u>(13,917)</u>
Long-Term Portion	<u>\$ 49,884</u>	<u>\$ 64,583</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	14,776
2022	15,687
2023	16,655
2024	17,542
Total	<u>\$ 64,660</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 \$43,281 and \$37,015 for the years ended June 30, 2020 and 2019, respectively.

NOTE 5 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 \$27,649 and \$19,909 for the years ended June 30, 2020 and 2019, respectively. The charter remains in effect until June 30, 2022 and is renewable thereafter by mutual consent.

FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 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.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2020, 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.

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its 2020 and 2021 operations and financial results, including an increase in virtual school attendance and nutrition funding. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 7 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2020 and 2019 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, 2020 and 2019 total \$726,680 and \$303,497, 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.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 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.

NOTE 9 PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2020, the School discovered that the in-kind rent receivable had not been reflected in the financial statements for the undervalued lease as described in Note 2. The School should have been reporting a receivable for the term of the lease for the fair market value of the lease and recognizing the in-kind rent expense annually.

The following statement of financial position line items for the fiscal year 2019 were affected by the restatement:

	June 30, 2019		
	As Reported	Restatement	As Restated
In-Kind Rent Receivable	\$ -	\$ 557,022	\$ 557,022
Total Assets	409,220	557,022	966,242
Net Assets With Donor Restrictions	-	557,022	557,022
Total Net Assets	247,660	557,022	804,682
Total Liabilities and Net Assets	409,220	557,022	966,242

The following statement of activities and changes in net assets line items for fiscal year 2019 were affected by the restatement:

	June 30, 2019		
	As Reported	Restatement	As Restated
Revenue and Support, Without Donor Restrictions	\$ 1,304,039	\$ 139,669	\$ 1,443,708
Revenue and Support, With Donor Restrictions	-	(139,669)	(139,669)
Program Services	942,596	139,669	1,082,265
Total Expenses	1,224,403	139,669	1,364,072
Change in Net Assets, With Donor Restrictions	-	(139,669)	(139,669)
Total Change in Net Assets	79,636	(139,669)	(60,033)
Net Assets, With Donor Restrictions, Beginning of Year	-	696,691	696,691
Total Net Assets, Beginning of Year	168,024	696,691	864,715
Net Assets, With Donor Restrictions, End of Year	-	557,022	557,022
Total Net Assets, End of Year	247,660	557,022	804,682

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 PRIOR PERIOD ADJUSTMENT (CONTINUED)

The following statement of functional expense line items for fiscal year 2019 were affected by the restatement:

	June 30, 2019		
	As Reported	Restatement	As Restated
Occupancy	\$ 22,667	\$ 139,669	\$ 162,336
Total Program Services	942,596	139,669	1,082,265
Total Expenses	1,224,403	139,669	1,364,072

The following statement of cash flow line items for fiscal year 2019 were affected by the restatement:

	June 30, 2019		
	As Reported	Restatement	As Restated
Change in Net Assets	\$ 79,636	\$ (139,669)	\$ (60,033)
In-Kind Rent Receivable	-	139,669	139,669

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
OTHER REPORT
JUNE 30, 2020**

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*.

