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December 12, 2022

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, 2020 to June 30, 2021. 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, 2021, 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

YEARS ENDED JUNE 30, 2021 AND 2020



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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 statements of financial position as of June 30, 2021 and 2020, 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.

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, 2021 and 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
April 4, 2022

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 168,735	\$ 274,771
Grants Receivable	87,832	38,203
In-Kind Rent Receivable	266,649	413,706
Prepaid Expenses	28,316	15,569
Total Current Assets	551,532	742,249
PROPERTY AND EQUIPMENT		
Leasehold Improvements	42,969	24,274
Furniture and Equipment	287,997	281,364
Textbooks	141,310	87,548
Vehicles	164,596	95,480
Less: Accumulated Depreciation	(411,657)	(378,893)
Property and Equipment, Net	225,215	109,773
Total Assets	\$ 776,747	\$ 852,022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 15,687	\$ 14,776
Accounts Payable and Accrued Expenses	155,316	128,046
Deferred Revenue	44,000	4,625
Refundable Advances	815	815
Total Current Liabilities	215,818	148,262
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	34,245	49,884
Total Long-Term Liabilities	34,245	49,884
Total Liabilities	250,063	198,146
NET ASSETS		
Without Donor Restrictions	260,035	240,170
With Donor Restrictions	266,649	413,706
Total Net Assets	526,684	653,876
Total Liabilities and Net Assets	\$ 776,747	\$ 852,022

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, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
State Education Support	\$ 1,012,857	\$ -	\$ 1,012,857	\$ 1,072,848	\$ -	\$ 1,072,848
Grant Revenue	413,255	-	413,255	329,719	-	329,719
Student Fees	15,600	-	15,600	2,650	-	2,650
Contributions	2,933	-	2,933	9,580	-	9,580
Other Income	14,804	-	14,804	16,647	-	16,647
Net Assets Released from Restrictions	147,057	(147,057)	-	143,316	(143,316)	-
Total Revenue and Support	<u>1,606,506</u>	<u>(147,057)</u>	<u>1,459,449</u>	<u>1,574,760</u>	<u>(143,316)</u>	<u>1,431,444</u>
EXPENSES						
Program Services	1,340,960	-	1,340,960	1,304,636	-	1,304,636
Management and General	245,681	-	245,681	277,614	-	277,614
Total Expenses	<u>1,586,641</u>	<u>-</u>	<u>1,586,641</u>	<u>1,582,250</u>	<u>-</u>	<u>1,582,250</u>
CHANGE IN NET ASSETS	19,865	(147,057)	(127,192)	(7,490)	(143,316)	(150,806)
Net Assets - Beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 260,035</u>	<u>\$ 266,649</u>	<u>\$ 526,684</u>	<u>\$ 240,170</u>	<u>\$ 413,706</u>	<u>\$ 653,876</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 714,642	\$ 121,064	\$ 835,706	\$ 690,086	\$ 136,240	\$ 826,326
Employee Benefits	150,059	20,785	170,844	136,587	27,274	163,861
Classroom, Kitchen, and Office Supplies	37,269	5,801	43,070	32,444	10,235	42,679
Professional Services	129,779	35,359	165,138	134,731	41,470	176,201
Food Costs	44,418	-	44,418	54,122	-	54,122
Depreciation	32,764	-	32,764	16,514	-	16,514
Occupancy	161,990	-	161,990	167,921	-	167,921
Property Rental and Maintenance	30,835	-	30,835	22,446	-	22,446
Equipment	17,446	-	17,446	34,421	-	34,421
Insurance	-	24,107	24,107	-	17,473	17,473
Authorizer Oversight Fees	-	26,507	26,507	-	27,649	27,649
Contracted Transportation Services	8,162	-	8,162	-	-	-
Interest	-	3,521	3,521	-	4,409	4,409
Staff Development	3,816	-	3,816	1,758	-	1,758
Other	9,780	8,537	18,317	13,606	12,864	26,470
Total Functional Expenses	\$ 1,340,960	\$ 245,681	\$ 1,586,641	\$ 1,304,636	\$ 277,614	\$ 1,582,250

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (127,192)	\$ (150,806)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	32,764	16,514
In-Kind Rent Receivable	147,057	143,316
Changes in Operating Assets and Liabilities:		
Grants Receivable	(49,629)	(24,145)
Prepaid Expenses	(12,747)	(15,491)
Accounts Payable and Accrued Expenses	27,270	45,801
Deferred Revenue	39,375	4,625
Net Cash Provided by Operating Activities	<u>56,898</u>	<u>19,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(148,206)</u>	<u>(20,642)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Repayment of Note Payable	<u>(14,728)</u>	<u>(13,840)</u>
NET CHANGE IN CASH	(106,036)	(14,668)
Cash - Beginning of Year	<u>274,771</u>	<u>289,439</u>
CASH - END OF YEAR	<u>\$ 168,735</u>	<u>\$ 274,771</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 3,521</u>	<u>\$ 4,409</u>
Buses Financed with a Long-Term Note Payable	<u>\$ -</u>	<u>\$ 78,500</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 126 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 principles 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.

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.

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, 2021 and 2020, the School had \$44,000 and \$4,625, 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, 2021 AND 2020**

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.

The School has \$815 as of June 30, 2021 and 2020 of conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

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, 2021 and 2020, 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, 2021 AND 2020**

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, 2021 and 2020.

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 April 4, 2022, the date these financial statements were available to be issued.

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 \$147,000. 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, 2021 AND 2020**

NOTE 3 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2021</u>	<u>2020</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.	\$ 49,932	\$ 64,660
Less: Current Portion	<u>(15,687)</u>	<u>(14,776)</u>
Long-Term Portion	<u>\$ 34,245</u>	<u>\$ 49,884</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 15,687
2023	16,655
2024	17,590
Total	<u>\$ 49,932</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 \$41,005 and \$43,281 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 \$26,507 and \$27,649 for the years ended June 30, 2021 and 2020, 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, 2021 AND 2020

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, 2021, 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, 2021 and 2020 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, 2021 and 2020 total \$256,567 and \$312,974, 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, 2021 AND 2020

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.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
OTHER REPORT
JUNE 30, 2021**

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*.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

