



**STATE OF INDIANA**  
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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 Supplemental Audit Report for Friends of Canaan, Inc. d/b/a Canaan Community Academy, prepared by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

We call your attention to the findings in the report on pages 3 through 4. Management's response is on pages 6 through 9.

The Supplemental Audit Report and associated audited Financial Statements are filed 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

**SUPPLEMENTAL AUDIT REPORT  
OF  
FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY**

**JEFFERSON COUNTY, INDIANA**

**JULY 1, 2020 TO JUNE 30, 2021**



**WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING**

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**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
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**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
JEFFERSON COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2020 TO JUNE 30, 2021**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	David Herring	07/01/20 – 06/30/21
Chief Administrator Officer	Rhonda Pennington	07/01/20 – 06/30/21
Chief Operations Officer	Kristi Allard	07/01/20 – 06/30/21



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of Friends of Canaan, Inc. dba: Canaan Community Academy (the School) as of and for the year ended June 30, 2021, and have issued our report thereon dated April 4, 2022. 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
April 4, 2022



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**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
JEFFERSON COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2020 TO JUNE 30, 2021**

**GENERAL RECEIPTS TESTING – UNTIMELY DEPOSITS**

During testing, it was noted that the bank deposit was not completed timely for five (5) out of the forty (40) cash receipts tested.

All charter school money must be deposited in the designated depository no later than the business day following the receipt of funds in the same form in which the funds were received. Timely deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

**AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT DOCUMENTATION**

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE). In addition, the School has adopted a policy requiring additional documents to be obtained at enrollment. The School did not maintain consistent and complete enrollment records for eleven (11) students of the forty-one (41) students tested for enrollment.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 9).

**TRAVEL CLAIMS – UNSUPPORTED CLAIMS**

During travel claim testing, it was noted that one (1) of the five (5) travel claims selected did not have proper itemized supporting original receipt documentation retained for School records in support of the payment. Total unsupported travel claims were \$199.09.

The charter school shall only reimburse employees for travel expenses with appropriate claims are submitted. The claims must be in writing, itemized, and supported with original receipts, and documentation that the trip was for charter school business. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
JEFFERSON COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2020 TO JUNE 30, 2021**

**CREDIT CARD TESTING – UNSUPPORTED CHARGES**

During credit card testing, it was noted that two (2) of the five (5) credit card statements selected did not have proper itemized supporting original receipt documentation retained for School records in support of the payments. Total unsupported charges were \$164.61.

Supporting documents such as paid bills and receipts must be available in support of payment of credit card payments. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

**INTERNAL CONTROLS - PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Management employs personnel who understand the School's operations. While they record the School's day to day transactions in a consistent manner, during the year ended June 30, 2021, the school experienced turnover and other staffing challenges related to Covid 19 in key accounting positions that negatively impacted their ability to ensure that all transactions are properly recorded in the financial statements in accordance with accounting principles generally accepted in the United States of America or preparing its financial statements. During our audit procedures, we noted multiple journal entries totaling \$150,000 were required to correct the financial statements. As a result, the statement of activities and net assets were materially misstated and are considered a material weakness in internal controls. Proper procedures around journal entries and financial statement preparation are an important element of internal controls.

Indiana Code 20-24-7-1 requires each charter school to report on the GAAP basis of accounting, which requires internal controls to be established by the school to ensure accurate financial reporting.

**FRIENDS OF CANAAN, INC.  
DBA: CANAAN COMMUNITY ACADEMY  
JEFFERSON COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2020 TO JUNE 30, 2021**

The contents of this report were discussed on March 31, 2022 with Rhonda Pennington (Chief Administrative Officer). The Official Response has been made a part of this report and may be found on page 6.



8775 N. Canaan Main St. (P. O. Box 20) Canaan, IN 47224

812-839-0003

March 2022

To whom it may concern:

This is a response to the finding below:

*TRAVEL CLAIMS – UNSUPPORTED CLAIMS During travel claim testing, it was noted that one (1) of the five (5) travel claims selected did not have proper itemized supporting original receipt documentation retained for School records in support of the payment. Total unsupported travel claims were \$199.09. The charter school shall only reimburse employees for travel expenses with appropriate claims are submitted. The claims must be in writing, itemized, and supported with original receipts, and documentation that the trip was for charter school business.*

Canaan Community Academy did not have travel claims; we did have receipts/charges for fuel as needed. The year and claim/charge in question were in relation to transporting a homeless child who was placed in foster care outside of the county.

This student no longer attends school at Canaan Community Academy. We will be reviewing the travel policy and ensuring that claims will be in writing, itemized, and supported with original receipts and documentation that the trip was for charter school business.

Warmest regards,

Rhonda Pennington  
Chief Administrative Officer



8775 N. Canaan Main St. (P. O. Box 20) Canaan, IN 47224

812-839-0003


March 2022

To whom it may concern:

This letter is in response to the auditor finding below:

*AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT DOCUMENTATION Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE). In addition, the School has adopted a policy requiring additional documents to be obtained at enrollment. The School did not maintain consistent and complete enrollment records for eleven (11) students of the forty-one (41) students tested for enrollment. Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered. The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit.*

Canaan Community Academy is making efforts to ensure that enrollment records are complete. The new online SIS, GradeLink, will help streamline this with the online enrollment process. Also, the nurse has been reviewing the files for accuracy and reaching out to families if something needs to be updated. The Summary Report was completed in a timely manner; it did not have the Superintendent (Chief Administrative Officer) signature due to an unexpected illness/hospitalization that became an extended leave. A new procedure put into place should this happen again would be to have the document delivered to the hospital for signature or to have a board member sign the documentation.

  
Rhonda Pennington  
Chief Administrative Officer



8775 N. Canaan Main St. (P. O. Box 20) Canaan, IN 47224

812-839-0003

March 202

To whom it may concern:

This is in response to the audit finding:

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The credit card was canceled on December 8, 2021; eliminating future unsupported charges.

Warmest regards,

Rhonda Pennington  
Chief Administrative Officer



8775 N. Canaan Main St. (P. O. Box 20) Canaan, IN 47224

812-839-0003

March 2022

To whom it may concern:

This is in response to the audit finding below:

*GENERAL RECEIPTS TESTING – UNTIMELY DEPOSITS During testing, it was noted that the bank deposit was not completed timely for five (5) out of the forty (40) cash receipts tested. All charter school money must be deposited in the designated depository no later than the business day following the receipt of funds in the same form in which the funds were received. Timely deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions.*

Canaan Community Academy(CCA) is a very rural school. The rural location makes it difficult for staff to leave and make deposits. This was compounded when the bank we have our account with closed the branch that had later hours. COVID- 19 restrictions also impacted banking and CCA office hours. Canaan Community Academy will make timely deposits by depositing money no later than the business day following receipt of funds.

Warmest regards,

Rhonda Pennington  
Chief Administrative Officer

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