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March 16, 2020

Charter School Board  
Indiana Online Learning Options, Inc.  
6640 Intech Blvd, Ste 250  
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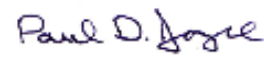
We have reviewed the audit report of Indiana Online Learning Options, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditors' Report*, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements included in the report present fairly the financial condition of Indiana Online Learning Options, Inc. as of June 30, 2019 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 Basis for Qualified Opinion in the audit report.

In our opinion, Donovan CPAs 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 Indiana Online Learning Options, Inc., 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

**INDIANA ONLINE LEARNING OPTIONS, INC.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018



## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position.....	3
Statements of Activities and Change in Net Assets .....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows .....	6
Notes to the Financial Statements .....	7 - 11
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards.....	12
Notes to the Schedule of Expenditures of Federal Awards.....	13
Schedule of Financial Position by School	
June 30, 2019 .....	14
June 30, 2018 .....	15
Schedule of Activities and Change in Net Assets by School	
For the Year Ended June 30, 2019 .....	16
For the Year Ended June 30, 2018.....	17
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b> .....	18 - 19
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE</b> .....	20 - 21
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b> .....	22
<b>OTHER REPORT</b> .....	23



# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Indiana Online Learning Options, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Indiana Online Learning Options, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

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### **Basis for Qualified Opinion**

As presented in Notes 2 and 3 to the financial statements, in 2013, the Indiana Legislature passed amendments to the Indiana Charter Schools Act that resulted in the suspension of significant funding. Indiana Online Learning Options, Inc. believes this was not the intent of the legislation and has appealed this result with its elected officials. Indiana Online Learning Options, Inc. believes that it will ultimately be successful in restoring the income through legislative channels and continues to reflect this amount as a receivable on its statements of financial position as of June 30, 2019 and 2018. Accounting principles generally accepted in the United States of America require a potential gain that is contingent upon a future event be recognized when the amount is realized. If Indiana Online Learning Options, Inc. were to recognize this gain contingency when realized, a write down of receivables in the amount of \$3,848,885 would be required as of June 30, 2019 and 2018. Accordingly, net assets without donor restrictions as of June 30, 2019 and 2018 would be reduced by this amount.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Online Learning Options, Inc. as of June 30, 2019 and 2018, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Likewise, the Schedule of Financial Position by School on page 14 and 15 and the Schedule of Activities and Change in Net Assets by School on page 16 and 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2020 on our consideration of Indiana Online Learning Options, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indiana Online Learning Options, Inc.'s internal control over financial reporting and compliance.

DONOVAN  
Indianapolis, Indiana  
February 5, 2020



**INDIANA ONLINE LEARNING OPTIONS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 6,233,510	\$ 7,957,200
State tuition support receivable	3,848,885	3,848,885
Grants receivable	1,208,657	697,374
Other receivables	-	12,270
Prepaid expenses	-	1,229
<i>Total current assets</i>	<u>11,291,052</u>	<u>12,516,958</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	4,568	4,568
Furniture and equipment	94,944	78,950
Less: accumulated depreciation	<u>(73,250)</u>	<u>(61,892)</u>
<i>Property and equipment, net</i>	<u>26,262</u>	<u>21,626</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,317,314</u></u>	<u><u>\$ 12,538,584</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Due to Connections Academy of Indiana, LLC	\$ 10,410,885	\$ 11,489,850
Accounts payable and accrued expenses	<u>877,164</u>	<u>1,012,944</u>
<i>Total current liabilities</i>	11,288,049	12,502,794
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>29,265</u>	<u>35,790</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 11,317,314</u></u>	<u><u>\$ 12,538,584</u></u>

See independent auditors' report and accompanying notes to the financial statements

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 32,038,449	\$ 27,547,039
Grant revenue	2,094,215	1,604,075
Contributions	208,573	823,946
Other	-	84
	<u>34,341,237</u>	<u>29,975,144</u>
<i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	30,475,163	27,238,884
Management and general	3,872,599	2,715,919
	<u>34,347,762</u>	<u>29,954,803</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS</b>	(6,525)	20,341
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>35,790</u>	<u>15,449</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 29,265</u>	<u>\$ 35,790</u>

See independent auditors' report and accompanying notes to the financial statements

**INDIANA ONLINE LEARNING OPTIONS, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Years Ended June 30, 2019 and 2018**

	2019			2018		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 8,978,774	\$ -	\$ 8,978,774	\$ 8,258,760	\$ -	\$ 8,258,760
Employee benefits	2,618,474	-	2,618,474	2,429,474	-	2,429,474
Staff development and recruitment	503,162	2,820	505,982	257,726	1,722	259,448
Authorizer fees	-	736,248	736,248	-	652,391	652,391
Professional services	588,150	403,706	991,856	335,840	501,053	836,893
School administration and support services	4,991,040	2,458,310	7,449,350	3,576,561	1,434,648	5,011,209
Classroom and office supplies	7,531,654	-	7,531,654	7,493,289	-	7,493,289
Technology	4,010,839	-	4,010,839	3,746,211	-	3,746,211
Testing	977,435	-	977,435	905,904	-	905,904
Occupancy	158,486	-	158,486	144,427	-	144,427
Travel	25,802	-	25,802	18,611	-	18,611
Depreciation	11,358	-	11,358	11,538	-	11,538
Equipment	14,427	-	14,427	13,559	-	13,559
Repairs and maintenance	2,770	-	2,770	1,541	-	1,541
Insurance	-	8,400	8,400	-	2,820	2,820
Other	62,792	263,115	325,907	45,443	123,285	168,728
<i>Total functional expenses</i>	<u>\$ 30,475,163</u>	<u>\$ 3,872,599</u>	<u>\$ 34,347,762</u>	<u>\$ 27,238,884</u>	<u>\$ 2,715,919</u>	<u>\$ 29,954,803</u>

See independent auditors' report and accompanying notes to the financial statements

**INDIANA ONLINE LEARNING OPTIONS, INC.**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (6,525)	\$ 20,341
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,358	11,538
Changes in certain assets and liabilities:		
Grants receivable	(511,283)	28,612
Other receivables	12,270	(12,270)
Prepaid expenses	1,229	1,591
Due to Connections Academy of Indiana, LLC	(1,078,965)	2,821,179
Accounts payable and accrued expenses	(135,780)	287,327
Refundable advances	<u>-</u>	<u>(8,229)</u>
 <i>Net cash provided by (used in) operating activities</i>	 (1,707,696)	 3,150,089
 <b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(15,994)</u>	<u>(1,436)</u>
 <b>NET CHANGE IN CASH</b>	 (1,723,690)	 3,148,653
 <b>CASH, BEGINNING OF YEAR</b>	 <u>7,957,200</u>	 <u>4,808,547</u>
 <b>CASH, END OF YEAR</b>	 <u>\$ 6,233,510</u>	 <u>\$ 7,957,200</u>

See independent auditors' report and accompanying notes to the financial statements

# INDIANA ONLINE LEARNING OPTIONS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Indiana Online Learning Options, Inc. (the "IOL") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana, and is the governing body of two virtual public charter schools, Indiana Connections Academy ("INCA") and Indiana Connections Career Academy ("INCC"). The 2017-2018 school year was the first year of operations for INCC. Both INCA and INCC (together referred to as "the Schools") operate under Indiana Code 20-24 and are sponsored by Ball State University. The Schools are available to students residing in the State of Indiana and provide educational instruction to approximately 5,100 students in grades kindergarten through twelve.

Financial Statement Presentation – Effective with the June 30, 2019 year end, IOL adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires changes to the financial reporting model for not-for-profit entities, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires additional disclosures regarding the liquidity of financial assets. ASU 2016-14 must be applied on a retrospective basis. Net assets as of June 30, 2019 and 2018 were without donor restrictions.

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 INCA and INCC receive an amount per student in relation to funding received by other public schools. 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 is recognized in the year in which educational services are rendered.

A portion of IOL's revenue is the product of cost reimbursement grants. Accordingly, IOL recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2019 and 2018.

Grants Receivable – Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. IOL believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary with regard to such receivables.

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.

# INDIANA ONLINE LEARNING OPTIONS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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	3 to 7 years
Furniture and equipment	5 to 7 years

Taxes on Income – Indiana Online Learning Options, Inc. has received a determination from the U.S Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, IOL would be subject to tax on income unrelated to its tax-exempt purpose. For the periods ended June 30, 2019 and 2018, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require IOL 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. IOL has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years after 2015 are open to audit for both federal and state purposes.

Subsequent Events – IOL evaluated subsequent events through February 5, 2020, 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 - LEGISLATIVE CHANGES

Pursuant to IC §20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that were defined in the statute.

In April 2013, the Indiana General Assembly repealed IC §20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. IOL obtained a loan in the amount of \$3,594,503 in 2013, and subsequently repaid \$599,084. IOL applied for and was forgiven from repaying the balance of the remaining indebtedness plus accrued interest of \$3,010,396 as of June 30, 2013. An allowance has been established against IOL's related accounts receivable balance in the amount of the loan forgiven (See Note 3).

# INDIANA ONLINE LEARNING OPTIONS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

### NOTE 2 - LEGISLATIVE CHANGES, Continued

In the same session, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, IOL followed the practice of recognizing at June 30 a receivable for payments to be made to IOL in the subsequent July through December time period, which represented amounts due for services rendered. As of June 30, 2013, total funding remaining due to IOL was \$6,859,281. Effective July 1, 2013, school funding is paid following the State of Indiana fiscal year of July to June, which is similar to IOL's academic year.

### NOTE 3 - STATE TUITION SUPPORT RECEIVABLE

IOL's state tuition support receivable balance consists primarily of amounts due from the State of Indiana for the operating periods in which State funding has not been received. As of June 30, 2013, the State forgave the remaining balance of IOL's operating loan made through the Common School Fund. As the loan was provided to finance IOL's operations when revenue was not received, IOL has established an allowance against the accounts receivable balance in the amount forgiven.

On June 10, 2016, IOL sued the State of Indiana, its Governor, its Superintendent of Schools, and its Department of Education for the remaining tuition support. On November 14, 2018, the trial court entered a final order awarding IOL a judgement of \$3,848,885. The State appealed the trial court's judgment, and on September 24, 2019, the Indiana Court of Appeals reversed and ordered that judgement be entered in favor of the State. On November 8, 2019, INCA filed a request with the Indiana Supreme Court asking that it assume jurisdiction of the case, vacate the Court of Appeals' order, and reinstate the trial court's judgement. The Indiana Supreme Court is likely to decide by mid-February whether it will ask for oral argument on INCA's request, or simply deny it. If INCA's request is denied, the Court of Appeals' decision will stand.

Accounts receivable from the State of Indiana for education support reflect the following amounts as of June 30, 2019 and 2018:

Tuition support	\$ 6,267,272
Special education grant	<u>592,009</u>
	6,859,281
Less: Common School loan forgiven	<u>(3,010,396)</u>
	<u>\$ 3,848,885</u>

### NOTE 4 - RETIREMENT PLANS

IOL's personnel are eligible to participate in a 401(k) retirement plan sponsored by Pearson Online & Blended Learning, LLC. Under the plan, IOL matches 100% of employee contributions up to 3% of compensation and 50% of employee contributions for the next 3% of compensation. IOL may also make additional discretionary contributions. No discretionary contributions were made in 2019 and 2018. Retirement plan expense for the years ended June 30, 2019 and 2018 was \$176,137 and \$148,205, respectively.

# INDIANA ONLINE LEARNING OPTIONS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

### NOTE 5 - LEASE

IOL leases its facilities under an operating lease through June 30, 2021. Expense under the lease for the years ended June 30, 2019 and 2018 was \$158,486 and \$144,427, respectively. Future minimum lease obligations under this lease are as follows for the years ending June 30:

2020	\$	159,108
2021		161,989

### NOTE 6 - COMMITMENTS

INCA and INCC operate under a single charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charter, IOL agrees to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was \$736,248 and \$652,391 for the years ended June 30, 2019 and 2018, respectively. The charters remain in effect until June 30, 2021 and are renewable thereafter by mutual consent.

IOL has contracted with Connections Academy of Indiana, LLC to provide instructional materials and services as well as administrative and technology services to IOL. As compensation for these services, IOL negotiates a schedule of fees for services for each year of the term of agreement, which remains in effect until June 30, 2021.

Connections Academy of Indiana, LLC has agreed to make a contribution and/or issue credits against the amounts billed for services and products provided, if needed, to ensure that IOL does not end a fiscal year with a financial deficit. The total contribution was \$208,573 and \$823,946 for the years ended June 30, 2019 and 2018, respectively, and the credits issued to IOL were \$1,609,427 and \$2,475,054 for the years ended June 30, 2019 and 2018, respectively.

Such fees were as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Enrollment/unit based fees	\$ 13,504,265	\$ 12,952,062
Revenue based fees	<u>8,365,137</u>	<u>6,509,132</u>
	21,869,402	19,461,194
Less: total contribution and credits issued	<u>(1,818,000)</u>	<u>(3,298,000)</u>
Net fees	<u>\$ 20,051,402</u>	<u>\$ 16,163,194</u>

# **INDIANA ONLINE LEARNING OPTIONS, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2019 and 2018**

### **NOTE 7 - RISKS AND UNCERTAINTIES**

IOL provides educational instruction services in a virtual school environment to families residing 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. Changes in state or federal legislation could significantly affect IOL. Additionally, IOL is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on IOL.

Financial instruments that potentially subject IOL to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2019 and 2018, substantially all of the receivable balance was due from the State of Indiana. In addition, cash deposits are maintained at PNC Bank, and are insured up to the FDIC insurance limit.

### **NOTE 8 - LIQUIDITY**

Under ASU 2016-14, IOL is required to disclose the assets it has available at June 30, 2019 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. IOL's financial assets include cash and grants receivable. Financial assets at June 30, 2019 total \$7,442,167, all of which are available to meet cash needs for general expenditures within the next year. The state education support receivable has been excluded from financial assets as the date of payment, if any, cannot be determined.

From time to time, IOL receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, IOL 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 IOL'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 IOL 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 was required.

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2019**

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I Grants to Local Educational Agencies	84.010	19-9905	\$ 674,293
	84.010	19-9035	22,633
Special Education Cluster			
Special Education - Grants to States	84.027	19611-546-PN01	749,570
	84.027	19611-608-PN01	18,460
Supporting Effective Instruction State Grants	84.367	S367A180013	115,333
Student Support and Academic Enrichment	84.424	S4224A180015	<u>24,607</u>
<i>Total federal awards expended</i>			\$ <u><u>1,604,896</u></u>

See independent auditors' report and accompanying notes to this schedule

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2019**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Indiana Online Learning Options, Inc. ("IOL") under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of IOL, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of IOL.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - INDIRECT COST RATE**

IOL has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**INDIANA ONLINE LEARNING OPTIONS, INC.**

**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**

**June 30, 2019**

	<u>INCA</u>	<u>INCC</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 5,857,000	\$ 376,510	\$ 6,233,510
State tuition support receivable	3,848,885	-	3,848,885
Grants receivable	<u>1,174,304</u>	<u>34,353</u>	<u>1,208,657</u>
<i>Total current assets</i>	<u>10,880,189</u>	<u>410,863</u>	<u>11,291,052</u>
<b>PROPERTY AND EQUIPMENT</b>			
Leasehold improvements	4,568	-	4,568
Furniture and equipment	94,944	-	94,944
Less: accumulated depreciation	<u>(73,250)</u>	<u>-</u>	<u>(73,250)</u>
<i>Property and equipment, net</i>	<u>26,262</u>	<u>-</u>	<u>26,262</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,906,451</u></u>	<u><u>\$ 410,863</u></u>	<u><u>\$ 11,317,314</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Due to Connections Academy of Indiana, LLC	\$ 10,073,483	\$ 337,402	\$ 10,410,885
Accounts payable and accrued expenses	<u>815,812</u>	<u>61,352</u>	<u>877,164</u>
<i>Total current liabilities</i>	10,889,295	398,754	11,288,049
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>17,156</u>	<u>12,109</u>	<u>29,265</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 10,906,451</u></u>	<u><u>\$ 410,863</u></u>	<u><u>\$ 11,317,314</u></u>

See independent auditors' report

**INDIANA ONLINE LEARNING OPTIONS, INC.**

**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**

**June 30, 2018**

	<u>INCA</u>	<u>INCC</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 7,844,364	\$ 112,836	\$ 7,957,200
State tuition support receivable	3,848,885	-	3,848,885
Grants receivable	681,044	16,330	697,374
Other receivables	12,270	-	12,270
Prepaid expenses	<u>1,229</u>	<u>-</u>	<u>1,229</u>
<i>Total current assets</i>	12,387,792	129,166	12,516,958
<b>PROPERTY AND EQUIPMENT, NET</b>			
Leasehold improvements	4,568	-	4,568
Furniture and equipment	78,950	-	78,950
Less: accumulated depreciation	<u>(61,892)</u>	<u>-</u>	<u>(61,892)</u>
<i>Property and equipment, net</i>	21,626	-	21,626
<b>TOTAL ASSETS</b>	<u><u>\$ 12,409,418</u></u>	<u><u>\$ 129,166</u></u>	<u><u>\$ 12,538,584</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Due to Connections Academy of Indiana, LLC	\$ 11,427,575	\$ 62,275	\$ 11,489,850
Accounts payable and accrued expenses	<u>957,702</u>	<u>55,242</u>	<u>1,012,944</u>
<i>Total current liabilities</i>	12,385,277	117,517	12,502,794
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>24,141</u>	<u>11,649</u>	<u>35,790</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 12,409,418</u></u>	<u><u>\$ 129,166</u></u>	<u><u>\$ 12,538,584</u></u>

See independent auditors' report

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL**  
**For the Year Ended June 30, 2019**

	<u>INCA</u>	<u>INCC</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
State education support	\$ 30,050,026	\$ 1,988,423	\$ 32,038,449
Grant revenue	2,039,318	54,897	2,094,215
Contribution revenue	<u>-</u>	<u>208,573</u>	<u>208,573</u>
<i>Total revenue and support</i>	<u>32,089,344</u>	<u>2,251,893</u>	<u>34,341,237</u>
<b>EXPENSES</b>			
Program services	28,336,049	2,139,114	30,475,163
Management and general	<u>3,760,280</u>	<u>112,319</u>	<u>3,872,599</u>
<i>Total expenses</i>	<u>32,096,329</u>	<u>2,251,433</u>	<u>34,347,762</u>
<b>CHANGE IN NET ASSETS</b>	(6,985)	460	(6,525)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>24,141</u>	<u>11,649</u>	<u>35,790</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 17,156</u>	<u>\$ 12,109</u>	<u>\$ 29,265</u>

See independent auditors' report

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL**  
**For the Year Ended June 30, 2018**

	<u>INCA</u>	<u>INCC</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
State education support	\$ 27,120,479	\$ 426,560	\$ 27,547,039
Grant revenue	1,585,069	19,006	1,604,075
Contribution revenue	1,000	822,946	823,946
Other revenue	84	-	84
	<u>28,706,632</u>	<u>1,268,512</u>	<u>29,975,144</u>
<i>Total revenue and support</i>			
<b>EXPENSES</b>			
Program services	26,003,184	1,235,700	27,238,884
Management and general	2,694,756	21,163	2,715,919
	<u>28,697,940</u>	<u>1,256,863</u>	<u>29,954,803</u>
<i>Total expenses</i>			
<b>CHANGE IN NET ASSETS</b>	8,692	11,649	20,341
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>15,449</u>	<u>-</u>	<u>15,449</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 24,141</u>	<u>\$ 11,649</u>	<u>\$ 35,790</u>

See independent auditors' report



# Donovan CPAs

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Indiana Online Learning Options, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Indiana Online Learning Options, Inc. ("IOL"), which comprise the statement of financial position as of June 30, 2019 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, and have issued our report thereon dated February 5, 2020.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered IOL's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IOL's internal control. Accordingly, we do not express an opinion on the effectiveness of IOL's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether IOL's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of IOL's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent 'D'.

Indianapolis, Indiana  
February 5, 2020



# Donovan CPAs

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *THE UNIFORM GUIDANCE*

The Board of Directors  
Indiana Online Learning Options, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited Indiana Online Learning Options, Inc.'s ("IOL") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of IOL's major federal programs for the year ended June 30, 2019. IOL's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of IOL's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IOL's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of IOL's compliance.

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## Opinion on Each Major Federal Program

In our opinion, Indiana Online Learning Options, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control over Compliance

Management of Indiana Online Learning Options, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IOL's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IOL's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN



Indianapolis, Indiana  
February 5, 2020

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**OTHER REPORT**  
**For the Year Ended June 30, 2019**

**I. Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA Number

Name of Federal Program or Cluster

84.027

Special Education Cluster  
Special Education - Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**II. Financial Statement Findings**

No matters were reportable.

**III. Federal Award Findings and Questioned Costs**

No matters were reportable.

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**OTHER REPORT**  
**For the Year Ended June 30, 2019**

The report presented herein was prepared in addition to another official report prepared for IOL as listed below:

Supplemental Audit Report of Indiana Online Learning Options, Inc.

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*.