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February 19, 2021

Charter School Board
Indiana Online Learning Options, Inc.
6640 Intech Blvd, Ste 250
Indianapolis, IN 46278

We have reviewed the audit report of Indiana Online Learning Options, Inc. 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 Indiana Online Learning Options, Inc. 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.

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 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
Paul D. Joyce, CPA
State Examiner

INDIANA ONLINE LEARNING OPTIONS, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



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**INDIANA ONLINE LEARNING OPTIONS, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Indiana Online Learning Options, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Online Learning Options, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes 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 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.

Board of Directors
Indiana Online Learning Options, Inc.

Opinion

In our opinion, 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, 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.

Other Matters

Other Information

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 pages 15 and 16 and the schedule of activities and change in net assets by school on pages 17 and 18 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.

Prior Year

The 2019 financial statements of Indiana Online Learning Options, Inc. were audited by other auditors whose report dated February 5, 2020 on those statements was qualified because of the departure from accounting principles generally accepted in the United States of America for the recognition of the state support receivable in the amount of \$3,848,885 for the year ended June 30, 2019 as more fully discussed in Notes 2 and 3.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2021, 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 solely 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 the effectiveness of Indiana Online Learning Options, Inc.'s 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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 3, 2021

INDIANA ONLINE LEARNING OPTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

| ASSETS | 2020 | 2019 |
|--|--------------|---------------|
| CURRENT ASSETS | | |
| Cash | \$ 6,677,067 | \$ 6,233,510 |
| State Tuition Support Receivable | 74,076 | 3,848,885 |
| Grants Receivable | 1,775,391 | 1,208,657 |
| Total Current Assets | 8,526,534 | 11,291,052 |
| PROPERTY AND EQUIPMENT | | |
| Leasehold Improvements | 4,568 | 4,568 |
| Furniture and Equipment | 94,944 | 94,944 |
| Less: Accumulated Depreciation | (86,146) | (73,250) |
| Property and Equipment, Net | 13,366 | 26,262 |
| Total Assets | \$ 8,539,900 | \$ 11,317,314 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Due to Connections Academy of Indiana, LLC | \$ 7,427,954 | \$ 10,410,885 |
| Accounts Payable and Accrued Expenses | 1,002,171 | 877,164 |
| Deferred Revenue | 23,820 | - |
| Total Current Liabilities | 8,453,945 | 11,288,049 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS | 85,955 | 29,265 |
| Total Liabilities and Net Assets | \$ 8,539,900 | \$ 11,317,314 |

See accompanying Notes to Financial Statements.

INDIANA ONLINE LEARNING OPTIONS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------------------|-------------------------|
| REVENUE AND SUPPORT | | |
| State Education Support | \$ 33,506,904 | \$ 32,038,449 |
| Grant Revenue | 2,264,751 | 2,094,215 |
| Contributions | - | 208,573 |
| Total Revenue and Support | <u>35,771,655</u> | <u>34,341,237</u> |
| EXPENSES | | |
| Program Services | 31,112,089 | 30,475,163 |
| Management and General | 4,602,876 | 3,872,599 |
| Total Expenses | <u>35,714,965</u> | <u>34,347,762</u> |
| CHANGES IN NET ASSETS | 56,690 | (6,525) |
| Net Assets - Beginning of Year | <u>29,265</u> | <u>35,790</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 85,955</u></u> | <u><u>\$ 29,265</u></u> |

See accompanying Notes to Financial Statements.

**INDIANA ONLINE LEARNING OPTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019**

| | 2020 | | | 2019 | | |
|--|----------------------|---------------------------|----------------------|----------------------|---------------------------|----------------------|
| | Program Services | Management and General | Total | Program Services | Management and General | Total |
| Salaries and Wages | \$ 9,465,587 | \$ - | \$ 9,465,587 | \$ 8,978,774 | \$ - | \$ 8,978,774 |
| Employee Benefits | 2,762,950 | - | 2,762,950 | 2,618,474 | - | 2,618,474 |
| Staff Development and Recruitment | 567,617 | 1,945 | 569,562 | 503,162 | 2,820 | 505,982 |
| Authorizer Fees | - | 875,202 | 875,202 | - | 736,248 | 736,248 |
| Professional Services | 977,629 | 361,823 | 1,339,452 | 588,150 | 403,706 | 991,856 |
| School Administration and Support Services | 5,108,840 | 2,971,304 | 8,080,144 | 4,991,040 | 2,458,310 | 7,449,350 |
| Classroom and Office Supplies | 6,484,005 | - | 6,484,005 | 7,531,654 | - | 7,531,654 |
| Technology | 4,859,643 | - | 4,859,643 | 4,010,839 | - | 4,010,839 |
| Testing | 553,780 | - | 553,780 | 977,435 | - | 977,435 |
| Occupancy | 163,727 | - | 163,727 | 158,486 | - | 158,486 |
| Travel | 98,242 | - | 98,242 | 25,802 | - | 25,802 |
| Depreciation | 12,896 | - | 12,896 | 11,358 | - | 11,358 |
| Equipment | 9,593 | - | 9,593 | 14,427 | - | 14,427 |
| Repairs and Maintenance | 2,922 | - | 2,922 | 2,770 | - | 2,770 |
| Insurance | - | 5,816 | 5,816 | - | 8,400 | 8,400 |
| Other | 44,658 | 386,786 | 431,444 | 62,792 | 263,115 | 325,907 |
| Total Functional Expenses | \$ 31,112,089 | \$ 4,602,876 | \$ 35,714,965 | \$ 30,475,163 | \$ 3,872,599 | \$ 34,347,762 |

See accompanying Notes to Financial Statements.

**INDIANA ONLINE LEARNING OPTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

| | 2020 | 2019 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in Net Assets | \$ 56,690 | \$ (6,525) |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 12,896 | 11,358 |
| Provision for Uncollectible Receivables | 3,848,885 | - |
| Changes in Operating Assets and Liabilities: | | |
| State Tuition Receivable | (74,076) | - |
| Grants Receivable | (566,734) | (511,283) |
| Other Receivables | - | 12,270 |
| Prepaid Expenses | - | 1,229 |
| Due to Connections Academy of Indiana, LLC | (2,982,931) | (1,078,965) |
| Accounts Payable and Accrued Expenses | 125,007 | (135,780) |
| Deferred Revenue | 23,820 | - |
| Net Cash Provided (Used) by Operating Activities | 443,557 | (1,707,696) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Property and Equipment | - | (15,994) |
| NET CHANGE IN CASH | 443,557 | (1,723,690) |
| Cash - Beginning of Year | 6,233,510 | 7,957,200 |
| CASH - END OF YEAR | \$ 6,677,067 | \$ 6,233,510 |

See accompanying Notes to Financial Statements.

**INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Indiana Online Learning Options, Inc. (IOL) is a public benefit nonprofit 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 12.

Change in Accounting Principle

In May 2014, 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 IOL's reported historical revenue. The early implementation of the standard did not significantly impact IOL'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 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 IOL'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.

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenues primarily come from conditional resources provided under the Indiana Charter Schools Act. Under the Act, IOL 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 is recognized in the year in which the educational services are rendered.

A portion of IOL's revenue is the product of cost reimbursement grants. Therefore, IOL recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2020, IOL does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Grants Revenue

IOL receives income from grants and contributions that support certain school activities. 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. There were no such restricted revenues during the years ended June 30, 2020 and 2019.

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, 2020 and 2019.

Grants and State Tuition Support Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. IOL believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. IOL believes that all balances will be collected. See Note 2 and 3 for further details on the State Tuition Support Receivable as of June 30, 2019.

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 FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (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 |

Impairment of Long-Lived Assets

On an ongoing basis, IOL 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.

Taxes on Income

IOL has received a determination from the 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, 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 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. The U.S. federal and state income tax returns of IOL are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. IOL is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

IOL evaluated subsequent events through February 3, 2021, 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.

Subsequent to year-end, IOL received approximately \$672,000 in CARES Act funding.

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).

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.

**INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 STATE TUITION SUPPORT RECEIVABLE (CONTINUED)

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 denied the request during the year ended June 30, 2020 thus the Court of Appeals' decision was upheld. As such, the remaining full balance as of June 30, 2019 was written off as uncollectible through the contribution/issued credits from Connections Academy of Indiana, LLC as described in Note 6.

Accounts receivable from the state of Indiana for education support reflect the following amounts as of June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|------------------|---------------------|
| Tuition Support | \$ 74,076 | \$ 6,267,272 |
| Special Education Grant | - | 592,009 |
| Subtotal | <u>74,076</u> | <u>6,859,281</u> |
| Less: Common School Loan Forgiven | - | (3,010,396) |
| Total | <u>\$ 74,076</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 2020 and 2019. Retirement plan expense for the years ended June 30, 2020 and 2019 was \$189,254 and \$176,137, respectively.

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, 2020 and 2019 was \$163,727 and \$158,486, respectively. Future minimum lease obligations under this lease are as follows for the years ending June 30:

| <u>Years Ending June 30,</u> | <u>Amount</u> |
|------------------------------|---------------|
| 2021 | \$ 161,749 |

**INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 \$875,202 and \$736,248 for the years ended June 30, 2020 and 2019, 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 \$294,604 and \$208,573 for the years ended June 30, 2020 and 2019, respectively, and the credits issued to IOL were \$3,016,936 and \$1,609,427 for the years ended June 30, 2020 and 2019, respectively.

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

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Enrollment/Unit-Based Fees | \$ 15,937,181 | \$ 13,504,265 |
| Revenue-Based Fees | 8,635,063 | 8,365,137 |
| Total | 24,572,244 | 21,869,402 |
| Less: Total Contribution and Credits Issues | <u>(3,311,540)</u> | <u>(1,818,000)</u> |
| Net Fees | <u>\$ 21,260,704</u> | <u>\$ 20,051,402</u> |

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, 2020 and 2019, substantially all of the receivable balance was due from the state of Indiana.

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 RISKS AND UNCERTAINTIES (CONTINUED)

IOL primarily maintains its cash and cash equivalents in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, IOL has not experienced losses in any of these accounts.

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to IOL, COVID-19 has impacted various parts of its 2020 and 2021 operations and financial results, including an increased demand for virtual learning options. Management believes IOL 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 8 LIQUIDITY

Under ASU 2016-14, IOL is required to disclose the assets it has available at June 30, 2020 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, 2020 and 2019 totaling \$8,526,534 and \$7,442,167, respectively, all of which are available to meet cash needs for general expenditures within the next year. The state education support receivable as of June 30, 2019 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.
OTHER REPORT
YEAR ENDED JUNE 30, 2020

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*.

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

| | Indiana Connections Academy | Indiana Connections Career Academy | Total |
|--|-----------------------------------|--|--------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | \$ 6,320,053 | \$ 357,014 | \$ 6,677,067 |
| State Tuition Support Receivable | 74,076 | - | 74,076 |
| Grants Receivable | 1,674,292 | 101,099 | 1,775,391 |
| Due from (to) Intercompany | 5,605 | (5,605) | - |
| Total Current Assets | 8,074,026 | 452,508 | 8,526,534 |
| PROPERTY AND EQUIPMENT, NET | | | |
| Leasehold Improvements | 4,568 | - | 4,568 |
| Furniture and Equipment | 94,944 | - | 94,944 |
| Less: Accumulated Depreciation | (86,146) | - | (86,146) |
| Property and Equipment, Net | 13,366 | - | 13,366 |
| Total Assets | \$ 8,087,392 | \$ 452,508 | \$ 8,539,900 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Due to Connections Academy of Indiana, LLC | \$ 7,130,102 | \$ 297,852 | \$ 7,427,954 |
| Accounts Payable and Accrued Expenses | 914,626 | 87,545 | 1,002,171 |
| Deferred Revenue | 23,820 | - | 23,820 |
| Total Current Liabilities | 8,068,548 | 385,397 | 8,453,945 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS | 18,844 | 67,111 | 85,955 |
| Total Liabilities and Net Assets | \$ 8,087,392 | \$ 452,508 | \$ 8,539,900 |

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

| | <u>Indiana Connections Academy</u> | <u>Indiana Connections Career Academy</u> | <u>Total</u> |
|--|--|---|--------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| 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> |
| Total Current Assets | 10,880,189 | 410,863 | 11,291,052 |
| PROPERTY AND EQUIPMENT, NET | | | |
| 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> |
| Property and Equipment, Net | <u>26,262</u> | <u>-</u> | <u>26,262</u> |
| Total Assets | <u>\$ 10,906,451</u> | <u>\$ 410,863</u> | <u>\$ 11,317,314</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Due to Connections Academy of Indiana, LLC | \$ 10,073,483 | \$ 337,402 | \$ 10,410,885 |
| Accounts Payable and Accrued Expenses | 815,812 | 61,352 | 877,164 |
| Deferred Revenue | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Current Liabilities | 10,889,295 | 398,754 | 11,288,049 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS | <u>17,156</u> | <u>12,109</u> | <u>29,265</u> |
| Total Liabilities and Net Assets | <u>\$ 10,906,451</u> | <u>\$ 410,863</u> | <u>\$ 11,317,314</u> |

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY SCHOOL
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

| | Indiana Connections Academy | Indiana Connections Career Academy | Total |
|---------------------------------|-----------------------------------|--|-------------------|
| REVENUE AND SUPPORT | | | |
| State Education Support | \$ 31,421,362 | \$ 2,085,542 | \$ 33,506,904 |
| Grant Revenue | <u>2,128,426</u> | <u>136,325</u> | <u>2,264,751</u> |
| Total Revenue and Support | 33,549,788 | 2,221,867 | 35,771,655 |
| EXPENSES | | | |
| Program Services | 29,108,699 | 2,003,390 | 31,112,089 |
| Management and General | <u>4,439,401</u> | <u>163,475</u> | <u>4,602,876</u> |
| Total Expenses | <u>33,548,100</u> | <u>2,166,865</u> | <u>35,714,965</u> |
| CHANGES IN NET ASSETS | 1,688 | 55,002 | 56,690 |
| Net Assets - Beginning of Year | <u>17,156</u> | <u>12,109</u> | <u>29,265</u> |
| NET ASSETS - END OF YEAR | <u>\$ 18,844</u> | <u>\$ 67,111</u> | <u>\$ 85,955</u> |

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF ACTIVITIES AND CHANGE IN NET POSITION BY SCHOOL
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

| | <u>Indiana Connections Academy</u> | <u>Indiana Connections Career Academy</u> | <u>Total</u> |
|---------------------------------|--|---|-------------------|
| REVENUE AND SUPPORT | | | |
| 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> |
| Total Revenue and Support | 32,089,344 | 2,251,893 | 34,341,237 |
| EXPENSES | | | |
| 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> |
| Total Expenses | <u>32,096,329</u> | <u>2,251,433</u> | <u>34,347,762</u> |
| CHANGES IN NET ASSETS | (6,985) | 460 | (6,525) |
| Net Assets - Beginning of Year | <u>24,141</u> | <u>11,649</u> | <u>35,790</u> |
| NET ASSETS - END OF YEAR | <u>\$ 17,156</u> | <u>\$ 12,109</u> | <u>\$ 29,265</u> |



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

Board of Directors
Indiana Online Learning Options, Inc.
Indianapolis, Indiana

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, 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, and have issued our report thereon dated February 3, 2021.

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.

Board of Directors
Indiana Online Learning Options, Inc.

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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 3, 2021



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

Board of Directors
Indiana Online Learning Options, Inc.
Indianapolis, Indiana

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, 2020. 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.

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, 2020.


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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 3, 2021

**INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

| <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>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Pass-Through Indiana Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 20-9905, 20-9035 | \$ 815,762 |
| Special Education Cluster | | | |
| Special Education - Grants to States | 84.027 | 20611-546-PN01, 20611-608-PN01 | 803,640 |
| Special Education - Grants to States (Pre-K) | 84.173 | 20619-546-PN01 | <u>12,312</u> |
| | | | 815,952 |
| Supporting Effective Instruction State Grants | 84.367 | S367A190013 | 148,895 |
| Student Support and Academic Enrichment | 84.424 | S424A190015 | <u>34,086</u> |
| Total Federal Awards Expended | | | <u>\$ 1,814,695</u> |

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

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, 2020. 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 FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

| CFDA Number(s) | Name of Federal Program or Cluster |
|--|--|
| 84.010 | Title I Grants to Local Educational Agencies |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$ <u> 750,000 </u> |
| Auditee qualified as low-risk auditee? | <u> x </u> yes _____ no |

**INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statements Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

