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STATE BOARD OF ACCOUNTS
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February 10, 2023

Board of Directors
Indiana Afterschool Network, Inc.
303 N. Alabama Street, Suite 210
Indianapolis, IN 46204

We have reviewed the audit report of Indiana Afterschool Network, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Indiana Afterschool Network, Inc. as of December 31, 2021 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 findings included in the report on pages 22 and 23. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 24 through 26.

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

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

INDIANA AFTERSCHOOL NETWORK, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended December 31, 2021 and 2020



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Independent Auditors' Report

The Board of Directors
Indiana Afterschool Network, Inc.

Opinion

We have audited the accompanying financial statements of Indiana Afterschool Network, Inc. which comprise the statement of financial position as of December 31, 2021 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Indiana Afterschool Network, Inc. as of December 31, 2021 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Indiana Afterschool Network, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Indiana Afterschool Network, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Indiana Afterschool Network, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Indiana Afterschool Network, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

The financial statements of Indiana Afterschool Network, Inc. as of and for the year ended December 31, 2020, with the exception of the prior period adjustment described in Note 3, were audited by another accountant whose report dated August 4, 2021 expressed an unmodified opinion on those financial statements.

As part of our audit of the December 31, 2021 financial statements, we also audited the adjustment described in Note 3 that was applied to restate the 2020 financial statements. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review, nor apply any procedures to the 2020 financial statements of Indiana Afterschool Network, Inc. other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and notes thereto, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose 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 GAAS. In our opinion, the supplementary 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 August 3, 2022 on our consideration of Indiana Afterschool Network, 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 the 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 Afterschool Network Inc.'s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana
August 3, 2022

INDIANA AFTERSCHOOL NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 19,725,893	\$ 1,607,624
Accounts receivable	516	21,535
Grants receivable	642,902	85,000
Prepaid expenses	29,966	32,287
	20,399,277	1,746,446
<i>Total current assets</i>		
PROPERTY AND EQUIPMENT, NET	5,383	6,655
OTHER ASSET		
Security deposit	5,875	-
	\$ 20,410,535	\$ 1,753,101
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,726	\$ 20,583
Accrued expenses	10,114	16,712
Refundable advance	18,610,907	-
Deferred revenue	2,625	10,815
	18,635,372	48,110
<i>Total current liabilities</i>		
LONG-TERM LIABILITIES		
Deferred rent	16,547	-
	18,651,919	48,110
<i>Total liabilities</i>		
NET ASSETS		
Without donor restrictions	1,002,756	930,856
With donor restrictions	755,860	774,135
	1,758,616	1,704,991
<i>Total net assets</i>		
TOTAL LIABILITIES AND NET ASSETS	\$ 20,410,535	\$ 1,753,101

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

INDIANA AFTERSCHOOL NETWORK, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES						
Grants	\$ 3,976,556	\$ 763,360	\$ 4,739,916	\$ 232,325	\$ 625,635	\$ 857,960
Summit conference	110,500	-	110,500	149,990	-	149,990
Program	27,450	-	27,450	38,960	-	38,960
Contributions	1,807	-	1,807	6,904	-	6,904
Interest	1,196	-	1,196	2,717	-	2,717
Other	3,521	-	3,521	636	-	636
Net assets released from restrictions	781,635	(781,635)	-	690,500	(690,500)	-
<i>Total revenues</i>	<u>4,902,665</u>	<u>(18,275)</u>	<u>4,884,390</u>	<u>1,122,032</u>	<u>(64,865)</u>	<u>1,057,167</u>
EXPENSES						
Program services	4,567,220	-	4,567,220	679,573	-	679,573
Management and general	189,422	-	189,422	193,244	-	193,244
Fundraising	74,123	-	74,123	63,121	-	63,121
<i>Total expenses</i>	<u>4,830,765</u>	<u>-</u>	<u>4,830,765</u>	<u>935,938</u>	<u>-</u>	<u>935,938</u>
CHANGE IN NET ASSETS	71,900	(18,275)	53,625	186,094	(64,865)	121,229
NET ASSETS, BEGINNING OF YEAR	<u>930,856</u>	<u>774,135</u>	<u>1,704,991</u>	<u>744,762</u>	<u>839,000</u>	<u>1,583,762</u>
NET ASSETS, END OF YEAR	<u>\$ 1,002,756</u>	<u>\$ 755,860</u>	<u>\$ 1,758,616</u>	<u>\$ 930,856</u>	<u>\$ 774,135</u>	<u>\$ 1,704,991</u>

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

INDIANA AFTERSCHOOL NETWORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>				<u>2020</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships	\$ 3,567,229	\$ -	\$ -	\$ 3,567,229	\$ -	\$ -	\$ -	\$ -
Salaries	337,709	114,225	44,697	496,631	263,807	67,947	44,485	376,239
Professional services	327,070	20,657	8,083	355,810	255,056	23,844	5,840	284,740
Scholarships processing services	107,200	-	-	107,200	-	-	-	-
Telephone and internet	27,945	9,452	3,699	41,096	2,073	19,126	326	21,525
Employee benefits	50,392	17,044	6,669	74,105	25,152	7,819	3,952	36,923
Summit conference	50,936	-	-	50,936	69,824	-	-	69,824
Occupancy	26,742	9,045	3,539	39,326	22,386	6,076	3,518	31,980
Payroll taxes	25,543	8,639	3,381	37,563	18,827	12,519	2,958	34,304
Insurance	8,344	2,822	1,104	12,270	-	10,610	-	10,610
Professional development	7,809	2,641	1,034	11,484	4,486	1,218	705	6,409
Advertising and marketing	8,693	1,305	511	10,509	-	30,835	-	30,835
Program	6,326	-	-	6,326	8,917	-	-	8,917
Office supplies	4,553	790	309	5,652	1,999	543	314	2,856
Depreciation	2,777	939	368	4,084	-	3,829	-	3,829
Recognition and appreciation	2,448	828	324	3,600	-	4,047	-	4,047
Printing	2,136	276	108	2,520	1,161	375	171	1,707
Meetings	1,722	464	182	2,368	463	199	-	662
Travel	22	-	-	22	5,422	1,471	852	7,745
Miscellaneous	1,624	295	115	2,034	-	2,786	-	2,786
<i>Total functional expenses</i>	<u>\$ 4,567,220</u>	<u>\$ 189,422</u>	<u>\$ 74,123</u>	<u>\$ 4,830,765</u>	<u>\$ 679,573</u>	<u>\$ 193,244</u>	<u>\$ 63,121</u>	<u>\$ 935,938</u>

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

INDIANA AFTERSCHOOL NETWORK, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 53,625	\$ 121,229
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,084	3,829
Changes in certain assets and liabilities:		
Accounts receivable	21,019	(12,318)
Grants receivable	(557,902)	143,772
Prepaid expenses	2,321	4,679
Security deposit	(5,875)	-
Accounts payable	(8,857)	18,152
Accrued expenses	(6,598)	6,513
Refundable advance	18,610,907	-
Deferred revenue	(8,190)	(30,190)
Deferred rent	16,547	-
	18,121,081	255,666
<i>Net cash provided by operating activities</i>	18,121,081	255,666
INVESTING ACTIVITIES		
Purchase of equipment	(2,812)	(7,234)
NET CHANGE IN CASH	18,118,269	248,432
CASH, BEGINNING OF YEAR	1,607,624	1,359,192
CASH, END OF YEAR	\$ 19,725,893	\$ 1,607,624

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

INDIANA AFTERSCHOOL NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Indiana Afterschool Network, Inc. (“IAN”) is a nonprofit organization established on January 1, 2014. IAN champions afterschool and summer learning by inspiring, empowering, and connecting youth workers, partners, and advocates at state and local levels. IAN relies on grants and support from the public to help fund operations.

IAN works to increase (1) quality in afterschool programming, (2) access to afterschool programs, (2) awareness and investment in afterschool, and (4) connectivity between workforce and the educational system. IAN accomplishes these four objectives with the following programs:

- *Build, Learn, Grow Scholarships* - facilitating scholarships for school-aged children whose families work in essential businesses;
- *Continuous Quality Improvement* - standards, specialty standards, online self-assessments, and online professional development;
- *Regional Affiliate Networks* - community-based coalitions comprised of OST professionals and community partners focusing on increasing local impact;
- *IN Mapping Program Database* - online searchable system for funders, families, and other community partners looking for afterschool programs in their area or region;
- *Communications/Advocacy* - monthly e-newsletters are sent to the field and community partners to share best practices, funding opportunities, and other important information for this field; and
- *Special Events* - professional development designed to bring the field of afterschool together to learn and share from one another.

Financial Statement Presentation – IAN reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions - which include unrestricted resources that are available for the operating objectives of IAN; and
- net assets with donor restrictions - which represent resources restricted by donors for specific time or purpose.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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. As of December 31, 2021 and 2020, there were no cash equivalents.

INDIANA AFTERSCHOOL NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Grants Receivable – Grants receivable relate primarily to grant funding due from the State of Indiana and private foundations. IAN believes all claims are within the terms of the grant agreements. As such, no allowance for doubtful accounts has been made in connection with grant programs.

Property and Equipment – Purchases of capital assets and expenditures that materially increase the value or extend the useful lives are capitalized and are included in the accounts at cost. Donated assets are recorded at fair market value at the date received. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

Property and equipment at December 31, 2021 and 2020 consists of laptop computers that are being depreciated over three years.

Taxes on Income – IAN has received a determination from the Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization. IAN would be subject to tax on income unrelated to its exempt purpose. For the years ended December 31, 2021 and 2020, no accounting for federal or state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require IAN 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. IAN has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions. The years ended after December 31, 2017 are open to audit for both federal and state purposes.

Subsequent Events – IAN evaluated subsequent events through August 3, 2022, the date these financial statements were available to be issued. Any events occurring through this date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 - REVENUE RECOGNITION

Revenue Recognition Policy – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets during the year in which they are awarded. IAN reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

INDIANA AFTERSCHOOL NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 2 - REVENUE RECOGNITION, Continued

IAN receives a significant amount of financial assistance from grants and contracts. Grants and contracts normally provide for the recovery of direct costs. Entitlement to the recovery of the direct costs is conditional upon compliance with the terms and conditions of the grant agreements and with applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance reviews and audits by the grantors. Management does not believe an adverse material outcome from those compliance reviews and audits is likely. Revenues from cost reimbursement grants are recognized in an amount equal to costs and expenses during the year in which they are incurred.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Disaggregation of Revenue – Revenue is disaggregated by category on the statements of activities and change in net assets.

Performance Obligations – Donations of property, contributions with donor restrictions, and contributions without donor restrictions are not considered exchange transactions and therefore are excluded from the requirements of ASU 2014-09. Grant revenue is recognized as the performance obligations under the grants are met, generally as allowable expenses are incurred and applied.

NOTE 3 - PRIOR PERIOD ADJUSTMENT

Net assets as of December 31, 2020 have been adjusted to properly account for an error in the reporting of grant revenue. The grants in question should have been recognized as net assets with donor restrictions, rather than deferred revenue. The following adjustments have been made to the previously issued December 31, 2020 financial statements:

Statement of financial position at December 31, 2019

- Deferred revenue decreased by \$839,000
- Net assets with donor restrictions increased by \$839,000

Statement of financial position at December 31, 2020

- Deferred revenue decreased by \$841,385
- Net assets with donor restrictions increased by \$774,135
- Net assets without donor restrictions increased by \$67,250

Statement of activities and change in net assets - year ended December 31, 2020

- Grant revenue increased by \$2,385

INDIANA AFTERSCHOOL NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 4 - REFUNDABLE ADVANCE

IAN received \$22,376,000 from the U.S. Department of Health and Human Services, passed through the Indiana Family and Social Services Office of Early Childhood and Out of School Learning, during the year ended December 31, 2021. The funding supports the implementation of the Build, Learn, Grow Scholarship fund for school-aged children whose families work in essential businesses as defined by Executive Order 20-08. During the year ended December 31, 2021, IAN expended \$3,765,093 in accordance with the terms of the grant. The remaining unspent portion of \$18,610,907 as of December 31, 2021 is reflected on the statement of financial position as a refundable advance.

NOTE 5 - OPERATING LEASE AND DEFERRED RENT

IAN leases office space through August 2026. Minimum payments are as follows for the years ending December 31:

2022	\$	35,844
2023		36,650
2024		37,478
2025		38,321
2026		26,048

The lease contains a free rent provision in the first five months. U.S. GAAP requires such free rent periods to be allocated throughout the duration of the lease agreement using the straight-line method. The cumulative difference between cash paid by IAN toward the lease agreement and straight-line rent expense totaled \$16,547 as of December 31, 2021 and is reflected on the statement of financial position as deferred rent.

NOTE 6 - NET ASSETS

Net assets with donor restrictions are as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Time restricted		
• Lilly Foundation grant	\$ 590,000	\$ 643,635
• Mott Foundation grant	-	75,000
Purpose restricted		
• Mott Foundation grant	110,860	22,750
• Million Girls Moonshot innovation grant	55,000	22,750
• Other	-	10,000
	<u>\$ 755,860</u>	<u>\$ 774,135</u>

Purpose restrictions are generally met the year following the restriction.

INDIANA AFTERSCHOOL NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 7 - RISKS AND UNCERTAINTIES

IAN is engaged in the business of enabling afterschool and summer learning throughout Indiana and is reliant on grants and support from the public to help fund operations. IAN is subject to risks associated with this industry and geographic area, including primarily socio-economic factors and the availability of funding.

During the year ended December 31, 2021, IAN was awarded a \$22,376,000 grant from the federal government to facilitate affordable childcare for essential workers impacted by the COVID-19 pandemic. This grant had a significant impact on the financial position and results of IAN as of and for the year ended December 31, 2021 and will continue to significantly impact IAN until all grant funds are expended or returned to the federal government when the grant period expires in March 2023. After this period, management anticipates IAN's financial position and results will return to levels experienced prior to the awarding of this grant.

Financial instruments that potentially subject IAN to concentrations of credit risk consist primarily of grants receivable from the State of Indiana and private foundations. Bank deposits are maintained at The National Bank of Indianapolis and are insured up to the FDIC insurance limit of \$250,000. As of and during the years ended December 31, 2021 and 2020, cash balances exceeded the FDIC insured limit.

NOTE 8 - LIQUIDITY

IAN's financial assets include cash, accounts receivable, and grants receivable. Following is a schedule of financial assets available for general use within one year as of December 31:

	<u>2021</u>	<u>2020</u>
Financial assets	\$ 20,369,311	\$ 1,714,159
Less: cash restricted for the Build, Learn, Grow Scholarship program	<u>(18,212,771)</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	\$ <u>2,156,540</u>	\$ <u>1,714,159</u>

IAN has donor-restricted financial assets of \$755,860 and \$744,135 as of December 31, 2021 and 2020, respectively. These donor restrictions, whether time or purpose restricted, are generally met within one year of the close of the fiscal year, and support the ongoing operations of IAN. Accordingly, donor-restricted financial assets are considered available to meet general expenditures. Donor restrictions are tracked in separate funds with adequate cash available to cover restrictions.

INDIANA AFTERSCHOOL NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 9 - FUNCTIONAL EXPENSE REPORTING

The costs of providing services have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain expenses have been allocated between program services, management and general, and fundraising.

Management allocates salaries and employee benefits according to time and effort logs. Scholarship processing services, Summit conference, program expenses, and travel expenses are entirely program services related. Professional services expenses are analyzed and tracked according to the underlying functional expense category benefitted. All other expenses are allocated using the same percentages as salaries and employee benefits.

SUPPLEMENTARY INFORMATION

INDIANA AFTERSCHOOL NETWORK, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

Federal Grantor Agency/Pass-Through Entity/Cluster Title/Program Title/ Project Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-through Indiana Family and Social Services, Office of			
Early Childhood and Out of School Learning			
Child Care Development Block Grant	93.575	52660	\$ 3,765,093

INDIANA AFTERSCHOOL NETWORK, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Indiana Afterschool Network, Inc. (“IAN”) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the 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”). Because the Schedule presents only a selected portion of the operations of IAN, it is not intended to and does not present the financial position, changes in net assets, functional expenses, nor cash flows of IAN.

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. Pass-through entity identifying numbers are presented, where available.

NOTE 3 - INDIRECT COST RATE

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



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 Afterschool Network, 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 Afterschool Network, Inc. ("IAN"), which comprise the statement of financial position as of December 31, 2021, 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 August 3, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IAN'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 IAN's internal control. Accordingly, we do not express an opinion on the effectiveness of IAN'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. The results of our tests disclosed one instance of a material weakness in internal control that was required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2021-001. Additional material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IAN'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*.

Indiana Afterschool Network, Inc.'s Response to Finding

IAN's response to the finding identified in our audit is described in the accompanying Corrective Action Plan on pages 24 - 26. IAN's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 IAN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IAN'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 initial "D".

Indianapolis, Indiana
August 3, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

The Board of Directors
Indiana Afterschool Network, Inc.

Report on Compliance for Each Major Federal Program

We have audited Indiana Afterschool Network, Inc.'s ("IAN") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Compliance Supplement* that could have a direct and material effect on IAN's major federal program for the year ended December 31, 2021. IAN's major federal program is 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 IAN's major federal program 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 IAN's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Programs

In our opinion, IAN complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2021-002. Our opinion on the major federal programs is not modified with respect to this matter.

IAN's response to the noncompliance finding identified in our audit is described in the Corrective Action Plan on pages 24 - 26. IAN's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of IAN 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 IAN's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 IAN'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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2021-002 to be a significant deficiency.

IAN's response to the noncompliance finding identified in our audit is included in the Corrective Action Plan on pages 24 - 26. IAN's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized initial "D".

Indianapolis, Indiana
August 3, 2022

**INDIANA AFTERSCHOOL NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	Yes
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)?	Yes
Identification of major programs:	

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.575	Child Care Development Block Grant
Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

INDIANA AFTERSCHOOL NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

II. Financial Statement Findings

FINDING 2021-001 MATERIAL ADJUSTMENTS
MATERIAL WEAKNESS

Condition

Several adjustments were required to be proposed and recorded during the audit for the financial statements to be free of material misstatement. Those adjustments resulted in the following changes to the financial statements:

Liabilities	\$ (830,365)
Net Assets	841,385
Revenue	3,572,756
Expenses	3,583,776

Criteria

2 CFR part 200.510(a) requires that “the auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.”

Cause

Indiana Afterschool Network, Inc. (“IAN”) did not have sufficient financial oversight to ensure all grant revenues were recorded in the proper period and all accounts were reconciled timely and accurately.

Effect

Material misstatements existed in the unadjusted financial records prior to the audit.

Recommendation

We recommend IAN develop internal controls to ensure proper financial oversight is provided.

Views of Responsible Officials

IAN’s Corrective Action Plan is included on pages 24 - 26.

INDIANA AFTERSCHOOL NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

III. Federal Award Findings and Questioned Costs

FINDING 2021-002 ALLOWABLE COSTS
SIGNIFICANT DEFICIENCY

Federal Program: Child Care Development Block Grant
Assistance Listing Number: 93.575

Condition

Indiana Afterschool Network, Inc. (“IAN”) contracted with a company to process payments of approved scholarships. IAN provided the contractor with an initial deposit of \$1,000,000 to use to pay scholarship amounts. IAN identified incorrect payments were being made by the contractor and attempted to reconcile the issue and obtain a refund from the contractor of funds not yet paid out. The contractor paid \$601,878 in approved claims and refunded \$366,909 to IAN, resulting in an unreconciled difference of \$31,213 due to funds paid by the contractor in error.

Criteria

2 CFR §200.405(a) states:

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- 1) Is incurred specifically for the Federal award;
- 2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- 3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

Cause

IAN did not have adequate oversight of the contractor to ensure proper use and disbursement of funds.

Effect

IAN was unable to account for \$31,213 of federal expenditures.

Questioned Costs: \$31,213

Recommendation

We recommend Indiana Afterschool Network, Inc. develop internal controls to ensure adequate oversight of contractors to ensure further questioned costs do not occur.

Views of Responsible Officials and Planned Corrective Actions

Indiana Afterschool Network, Inc.’s Corrective Action Plan is included on pages 24 - 26.



Donovan CPAs
9292 N Meridian Street, Suite 150
Indianapolis, IN 46260

RE: Official response to Financial Statements findings and Federal Award findings and Questioned Costs:

II. Financial Statement Findings

FINDING 2021-001 MATERIAL ADJUSTMENTS MATERIAL WEAKNESS

Condition

Several adjustments were required to be proposed and recorded during the audit for the financial statements to be free of material misstatement. Those adjustments resulted in the following changes to the financial statements:

Liabilities	\$	(830,365)
Net Assets		841,385
Revenue		3,572,756
Expenses		3,583,776

Criteria

2 CFR part 200.510(a) requires that “the auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.”

Cause

Indiana Afterschool Network, Inc. (“IAN”) did not have sufficient financial oversight to ensure all grant revenues were recorded in the proper period and all accounts were reconciled timely and accurately.

Effect

Material misstatements existed in the unadjusted financial records prior to the audit.

Recommendation

We recommend IAN develop internal controls to ensure proper financial oversight is provided.

Views of Responsible Officials and Planned Corrective Actions

Indiana Afterschool Network (IAN) will complete a thorough monthly review of financial statements with the IAN Finance Committee to ensure the treatment of entries are captured correctly. IAN will make all recommended adjustments and incorporate a new process to record grant revenues in the proper period. When new grants are awarded, IAN will confer with the IAN Finance Committee and contracted auditors to determine the correct method of recognition based on the type of funding. IAN will ensure all accounts are reconciled timely and accurately.

Implementation December 6, 2021: IAN official 3-year engagement with new, high quality CPA firm in anticipation of support of single audit requirement and in support of the financial oversight improvement priorities of the IAN Finance Committee. Stephanie Putt, Associate Vice President for Operations will be responsible for implementation and oversight of this correction.

III. Federal Award Findings and Questioned Costs

FINDING 2021-002 ALLOWABLE COSTS

SIGNIFICANT DEFICIENCY

Federal Program: Child Care Development Block Grant

Assistance Listing Number: 93.575

Condition

Indiana Afterschool Network, Inc. (“IAN”) contracted with a company to process payments of approved scholarships. IAN provided the contractor with an initial deposit of \$1,000,000 to use to pay scholarship amounts. IAN identified incorrect payments were being made by the contractor and attempted to reconcile the issue and obtain a refund from the contractor of funds not yet paid out. The contractor paid \$601,878 in approved claims and refunded \$366,909 to IAN, resulting in an unreconciled difference of \$31,213 due to funds paid by the contractor in error.

Criteria

2 CFR §200.405(a) states:

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- 1) Is incurred specifically for the Federal award;
- 2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- 3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

Cause

IAN did not have adequate oversight of the contractor to ensure proper use and disbursement of funds.

Effect

IAN was unable to account for \$31,213 of federal expenditures.

Questioned Costs: \$31,213

Recommendation

We recommend Indiana Afterschool Network, Inc. develop internal controls to ensure adequate oversight of contractors to ensure further questioned costs do not occur.

Views of Responsible Officials and Planned Corrective Actions

Indiana Afterschool Network (IAN) used a contractor to pay scholarship claims beginning approximately June 2, 2022. As IAN was monitoring and overseeing the contractor's work, IAN determined it was necessary to terminate the contract on July 21, 2022. IAN has been paying scholarship claims through its own staff and its own process, which includes adequate internal controls, since July 27, 2022. Since that time, there have been no errors in the payment distribution process. Lakshmi Hasanadka, CEO; Brianna Gaston-Bell, Associate Vice President for Quality Initiatives; and Stephanie Putt, Associate Vice President for Operations have been responsible for implementation and oversight for this correction and overseeing IAN's payment process since July 27, 2022. IAN has not had a relationship with that contractor since the contract was terminated.

To correct the questioned costs of \$31,213, IAN will repay the scholarship account from its administrative or operations account. This correction will take place by August 5, 2022. Lakshmi Hasanadka, CEO; Stephanie Putt, Associate Vice President for Operations; and Michael Seegel, IAN Board Treasurer will be responsible for implementation and oversight of this correction.