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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

February 19, 2014

Charter School Board
Goodwill Education Initiatives, Inc.-
Indianapolis Metropolitan High School
1635 W. Michigan Street
Indianapolis, IN 46222

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Greenwalt CPAs, Inc., Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Goodwill Education Initiatives, Inc. – Indianapolis Metropolitan High School, as of June 30, 2013, 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 finding in the report. Page 18 contains the status of one prior audit finding.

In addition to the report presented herein, a Supplemental Audit Report for Goodwill Education Initiatives, Inc. – Indianapolis Metropolitan High School was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.

State Board of Accounts

GOODWILL EDUCATION INITIATIVES, INC. -
INDIANAPOLIS METROPOLITAN HIGH SCHOOL

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JUNE 30, 2013 AND 2012

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GOODWILL EDUCATION INITIATIVES, INC. -
INDIANAPOLIS METROPOLITAN HIGH SCHOOL
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Greenwalt CPAs, Inc.
5342 W. Vermont Street
Indianapolis, IN 46224
www.greenwaltcpas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Goodwill Education Initiatives, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Goodwill Education Initiatives, Inc. - Indianapolis Metropolitan High School (an Indiana public charter school), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources* and *Guidelines of Audits of Charter Schools performed by Private Examiners* established by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor considers 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Education Initiatives, Inc. - Indianapolis Metropolitan High School as of June 30, 2013, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Goodwill Education Initiatives, Inc. - Indianapolis Metropolitan High School's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary 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 as required by the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014, on our consideration of Goodwill Education Initiatives, Inc. - Indianapolis Metropolitan High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Greenwald CPAs, Inc.

January 17, 2014

GOODWILL EDUCATION INITIATIVES, INC. -
INDIANAPOLIS METROPOLITAN HIGH SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash	\$ 809,045	\$ 265,791
Accounts receivable	97,373	1,943,386
Prepayments	1,290	1,307
	<u>907,708</u>	<u>2,210,484</u>
<i>Total current assets</i>		
PROPERTY AND EQUIPMENT		
Equipment	2,451,788	2,128,044
Vehicles	99,979	99,979
	<u>2,551,767</u>	<u>2,228,023</u>
Accumulated depreciation	(1,973,312)	(1,601,300)
	<u>578,455</u>	<u>626,723</u>
<i>Net property and equipment</i>		
TOTAL ASSETS	<u>\$ 1,486,163</u>	<u>\$ 2,837,207</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 173,809	\$ 262,428
Accrued liabilities	15,363	118,932
	<u>189,172</u>	<u>381,360</u>
<i>Total current liabilities</i>		
LONG-TERM LIABILITIES		
Common School Fund Loans	-	1,182,998
	<u>189,172</u>	<u>1,564,358</u>
<i>Total liabilities</i>		
COMMITMENTS AND CONTINGENCIES (NOTE 6 and 7)		
NET ASSETS		
Unrestricted	1,296,991	1,263,498
Temporarily restricted	-	9,351
	<u>1,296,991</u>	<u>1,272,849</u>
<i>Total net assets</i>		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,486,163</u>	<u>\$ 2,837,207</u>

GOODWILL EDUCATION INITIATIVES, INC. -
INDIANAPOLIS METROPOLITAN HIGH SCHOOL

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	2013 TOTAL	2012 TOTAL
REVENUE				
State and Federal grants	\$ 4,254,568	\$ -	\$ 4,254,568	\$ 5,327,745
Student fees	46,219	-	46,219	47,797
Other income	132,870	-	132,870	137,869
<i>Total revenue</i>	<u>4,433,657</u>	<u>-</u>	<u>4,433,657</u>	<u>5,513,411</u>
SUPPORT				
Gifts and contributions	184,350	-	184,350	211,116
Gifts in-kind	815,860	-	815,860	957,000
<i>Total support</i>	<u>1,000,210</u>	<u>-</u>	<u>1,000,210</u>	<u>1,168,116</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	9,351	(9,351)	-	
<i>Total revenue and support</i>	<u>5,443,218</u>	<u>(9,351)</u>	<u>5,433,867</u>	<u>6,681,527</u>
EXPENSES				
High school instruction	2,125,078	-	2,125,078	2,554,653
Counseling services	190,748	-	190,748	334,591
Special education	247,136	-	247,136	397,332
Extra curricular activities	65,602	-	65,602	84,086
Staff training and development	79,451	-	79,451	181,083
Office of the Principal and administration	837,249	-	837,249	849,560
Business support services	82,504	-	82,504	171,757
Building and equipment maintenance	84,517	-	84,517	46,261
Transportation	68,485	-	68,485	113,542
Food service	96,607	-	96,607	208,494
Non-capital equipment costs	20,618	-	20,618	117,513
Interest expense	31,716	-	31,716	34,369
Depreciation	372,012	-	372,012	317,496
Graduate scholarships	169,044	-	169,044	134,772
In-kind rent	752,000	-	752,000	773,594
Other expenses	105,331	-	105,331	55,538
<i>Total expenses</i>	<u>5,328,098</u>	<u>-</u>	<u>5,328,098</u>	<u>6,374,641</u>
CHANGE IN NET ASSETS, BEFORE EXTRAORDINARY ITEM	115,120	(9,351)	105,769	306,886
EXTRAORDINARY ITEM:				
NET LOSS DUE TO CHANGE IN STATE REGULATION (NOTES 1 AND 3)	(81,627)	-	(81,627)	
CHANGE IN NET ASSETS, AFTER EXTRAORDINARY ITEM	33,493	(9,351)	24,142	306,886
NET ASSETS, BEGINNING OF YEAR	1,263,498	9,351	1,272,849	965,963
NET ASSETS, END OF YEAR	<u>\$ 1,296,991</u>	<u>\$ -</u>	<u>\$ 1,296,991</u>	<u>\$ 1,272,849</u>

GOODWILL EDUCATION INITIATIVES, INC. -
INDIANAPOLIS METROPOLITAN HIGH SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

INCREASE IN CASH

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 24,142	\$ 306,886
Depreciation	372,012	317,496
Forgiveness of Common School Fund Loans and accrued interest	(1,182,998)	-
Write-off of Basic Grant receivable	1,399,236	-
<i>(Increase) decrease in operating assets:</i>		
Accounts receivable	446,777	(181,472)
Prepayments	17	11,114
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	(88,619)	115,393
Accrued liabilities	(103,569)	50,195
	<u>866,998</u>	<u>619,612</u>
<i>Net cash provided by operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(323,744)	(531,777)
	<u>543,254</u>	<u>87,835</u>
INCREASE IN CASH AND CASH EQUIVALENTS		
	<u>265,791</u>	<u>177,956</u>
CASH, BEGINNING OF YEAR		
	<u>\$ 809,045</u>	<u>\$ 265,791</u>
CASH, END OF YEAR		
	<u>\$ 815,860</u>	<u>\$ 957,000</u>
SCHEDULE OF NONCASH OPERATING ACTIVITIES		
In-kind rent and business support	<u>\$ 815,860</u>	<u>\$ 957,000</u>

GOODWILL EDUCATION INITIATIVES, INC. -
INDIANAPOLIS METROPOLITAN HIGH SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

Goodwill Education Initiatives, Inc. - Indianapolis Metropolitan High School (the Met) is an Indiana public charter high school operating under the ownership and control of Goodwill Education Initiatives, Inc. (GEI). GEI, an Indiana non-profit corporation, provides educational opportunities designed to enable young people and adults to prepare for productive lives. GEI operates public charter high schools (the Met, the Excel Centers, and the Excel Center-Anderson, interchangeably referred to herein as "the schools") in central Indiana, under the provisions of the Indiana Charter School laws and the chartering authorities of the Mayor of Indianapolis and the Indiana Charter School Board. The Met operates under a charter issued by the Mayor of Indianapolis. GEI is a wholly-owned and controlled subsidiary of Goodwill Industries of Central Indiana, Inc. (Goodwill), also an Indiana non-profit corporation.

The Met occupies space at Goodwill's Indianapolis headquarters building. The Met occupies its space at no cost and recognized \$752,000 and \$773,594 of in-kind rent expense during the fiscal years ended June 30, 2013 and 2012, respectively. The Met also contracts with Goodwill for certain business support services, as further described in Note 5. For the fiscal years ended June 30, 2013 and 2012, the Met recognized \$63,860 and \$183,406 of in-kind business support service expense, respectively.

The schools receive the majority of their funding from the Indiana Department of Education. Their revenues are supplemented with funds from the United States Department of Education, private grants, and gifts. The Met completed its ninth year of operation on June 30, 2013 and student enrollment for the most recently completed school year approximated 330 students.

The Met primarily serves underprivileged, at risk students in grades 9 through 12 in Indianapolis. Demographically, more than 80% of the Met's students qualify for free or reduced lunch, 84% identify themselves as minority students, 25% have special needs, and the majority of incoming students arrive at the Met two or more grade levels behind in reading and math skills. Since inception, the Met has graduated over 400 students and 65% of those graduates have gone on to some form of post-secondary education or training, and remain in school two years after graduation. The Met's objectives include sustaining a graduation rate of 75% and having 75% of its graduates go on to college.

BASIS OF ACCOUNTING

The accompanying financial statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. For annual financial reporting purposes, the Met uses a fiscal year that begins on July 1 and ends the following June 30.

SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Met's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH

The Met considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2013 and 2012. The Met maintains cash balances at a commercial bank. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2013 and 2012 the Met maintained cash in excess of the FDIC coverage limits.

ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and are due from Indiana governmental entities and private funders over periods of time up to thirty days from the statement of financial position date.

Accounts receivable are stated at the amount determined by public statute or by the underlying private funding agreements. Generally, there is not significant risk of loss of these amounts due since they are statutorily determined and obligated. However, there is some risk that public funding from the State of Indiana could be reduced from amounts previously determined during periods of prolonged economic downturn. Management is unable to determine the likelihood of reduced funding, and has not recorded a reserve related thereto. Prior to June 30, 2013, the Indiana Department of Education funded charter schools on a six-month arrearage basis. In fiscal year 2013, the State of Indiana amended the manner in which it funds charter schools, eliminating the former six-month lag. Beginning July, 2013, The Met receives its State funding on a current basis. The effect of this change in funding resulted in the write-off of the amounts receivable under the prior funding schedule. The amount of the write-off, which is reflected in the Statement of Activities, was \$1,399,236.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at historical cost. Depreciation is computed on the straight-line method over estimated useful lives ranging from 3 to 10 years for equipment. The Met does not own any real property.

NET ASSETS

The Met maintains the following classifications of net assets:

Unrestricted

These include revenue and expenses from the regular operations of the Met, which are at the discretion of management and the GEI Board of Directors.

Temporarily Restricted

These include donations and grant revenues used to meet expenses of current operations in accordance with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

GOODWILL EDUCATION INITIATIVES, INC. -
INDIANAPOLIS METROPOLITAN HIGH SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS

Contributions are recognized when the donor makes an unconditional promise to give to the Met and are recorded at their fair values as revenues and assets in the period received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

ADVERTISING

Advertising and printing expenses totaled \$30,125 and \$29,582 for fiscal years 2013 and 2012, respectively. The Met's policy is to record advertising expenditures in the period in which they are incurred.

FUNCTIONAL EXPENSE

A summary of expenses by functional classification for the year ended June 30 is as follows:

Program activities:		
Classroom instruction	\$ 3,814,187	\$ 4,511,122
Student counseling	190,748	334,591
Special education services	247,136	397,332
Total program activities	<u>4,252,071</u>	<u>5,243,045</u>
Supporting activities:		
Program support	\$ 600,754	658,541
Administrative support	475,273	473,055
Total support activities	<u>1,076,027</u>	<u>1,131,596</u>
Total functional expense	<u>\$ 5,328,098</u>	<u>\$ 6,374,641</u>

SUBSEQUENT EVENTS

Subsequent events have been considered through January 17, 2014, which was the date the financial statements were available to be issued. See Note 8.

2. TAX STATUS

GEI is an Indiana non-profit corporation and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. However, if income was generated from certain activities not directly related to GEI's tax-exempt purposes, such income would be subject to taxation as unrelated business income. GEI is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

Accounting Standards for Income Taxes provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. GEI's management team regularly evaluates its activities to determine that they are in compliance with its tax-exempt purpose. Currently, GEI's management does not believe it is engaged in any activities that would generate unrelated business income or create an uncertain tax position. GEI is no longer subject to examination by taxing authorities for fiscal years before 2009.

3. LONG TERM DEBT

In prior years, the Met borrowed from the Indiana Common School Fund to fund its charter school operations and costs associated with enrollment growth. The outstanding balance on the loans from the Indiana Common School Fund was \$1,182,998 at June 30, 2012. In fiscal year 2013, the Indiana legislature enacted legislation that eliminated all charter school Common School Fund debt, along with associated accrued interest. The amount of the debt forgiveness of \$1,182,998 and associated interest of \$134,611 is reflected in the Statement of Activities.

4. RETIREMENT PLAN

The Met employees are employed and paid by GEI. Certain Met employees (licensed teachers, counselors and certain administrative staff) are eligible to participate in the Indiana Teachers Retirement Fund (TRF). By statute, employers are required to contribute 7.5% of an employee's pretax gross income to TRF. Employers may also elect to contribute an additional 3% in lieu of the employee's own contributions. GEI has elected to make the voluntary contribution on behalf of its eligible employees, including employees of the Met. The Met contributed \$176,336 and \$192,488 to TRF on behalf of its employees for fiscal years 2013 and 2012, respectively. Met employees not eligible for TRF may elect to participate in Goodwill's retirement plan. Goodwill maintains a discretionary thrift plan which allows eligible employees to contribute up to 15% of pre-tax gross income, subject to certain IRS limitations. Goodwill matches 100% of eligible employees' pre-tax contributions up to 3% of gross income, and 50% of the next 3% of gross income. Goodwill may also make additional discretionary contributions to the plan. Employer matching contributions vest after three years or in the event of death or disability. Employer discretionary contributions vest after five years or in the event of death or disability. The Met's expense relating to contributions to the Goodwill thrift plan for the fiscal years 2013 and 2012 was \$7,722 and \$10,765, respectively.

5. RELATED PARTY TRANSACTIONS

The Met is owned and operated by GEI. GEI provides employees, certain school-specific administrative services, and general management and oversight of the Met. GEI charges the Met for its expenses related to the services provided. No markup is added to the fees charged to the schools. During fiscal years 2013 and 2012, the Met reimbursed \$236,496 and \$193,366 to GEI for administrative services, respectively.

5. RELATED PARTY TRANSACTIONS (CONTINUED)

From time to time, Goodwill provides interest-free loans and cash subsidies directly to the Met. At June 30, 2013 and 2012, the Met had no borrowings from Goodwill. During fiscal years 2013 and 2012, Goodwill provided cash subsidies to the Met totaling \$30,000 and \$112,500, respectively. The subsidies are recorded as Gifts and Contributions revenue on the Statement of Activities.

Goodwill also provides business support services (accounting, marketing, human resources, facilities, technology and general management) to the Met. Goodwill charges a portion of these costs to the schools without markup. The Met paid \$60,000 and \$45,000 to Goodwill for business support services in fiscal years 2013 and 2012, respectively. Goodwill also provides space at its Indianapolis headquarters campus to the Met at no charge. The non-billed portion of the support services and contributed space is considered an in-kind contribution and is recorded as revenue in the Statement of Activities. In fiscal years 2013 and 2012, Goodwill provided \$815,860 and \$957,000 of in-kind business services and contributed space, respectively. These in-kind contributions are treated as non-cash transactions and are excluded from the accompanying statements of cash flows.

Goodwill also pays certain operating expenses, including certain employee benefits, of the Met, for which the Met fully reimburses Goodwill. No markup is charged. In fiscal years 2013 and 2012 the Met paid Goodwill \$363,873 and \$764,734 for these expenses, respectively.

At June 30, 2013 and 2012, the Met owed Goodwill \$18,265 and \$78,514, respectively, for business support services and reimbursable operating expenses, which is included in Accounts Payable on the Statement of Financial Position. In addition, the Met owed GEI \$155,544 at June 30, 2013 for expenses incurred.

Goodwill Industries Foundation of Central Indiana, Inc. (the Foundation) is an Indiana not-for-profit corporation related to Goodwill. The Foundation provides grants to the Met for school startup, new initiatives and college scholarships for qualifying Met graduates. During fiscal years 2013 and 2012, the Met received \$184,350 and \$182,079, respectively, of grant revenue from the Foundation. This revenue is included in Gifts and Contributions on the Statement of Activities.

6. FUTURE GRANT AUDITS

Under the terms of state and federal grants awarded to the Met, periodic audits are required and certain costs may be challenged as to allow ability under the terms of the grants. Such audits could lead to reimbursement to the grantor. Management believes the likelihood that material costs incurred by the Met will be disallowed is remote.

7. SELF-INSURANCE

The Met employees participate in Goodwill's health care benefits plan. Goodwill self-insures for employee and dependent medical benefits up to a per-individual annual maximum of \$100,000, and an aggregate maximum of approximately \$6.6 million. Goodwill purchases reinsurance which pays individual claims that exceed \$100,000 per year, up to a per-individual maximum of \$2 million, and up to \$1 million beyond the aggregate self-insured maximum. The reinsurer reviews claims annually and upon renewal of the reinsurance policy each year may establish higher specific maximums on selected individuals with high claims risks. Goodwill purchases claims administration services from a third party administrator. Self-insured medical expenses and related administrative costs for the Met related to Goodwill's health care plan were \$291,470 and \$485,522 for the fiscal years ended June 30, 2013 and 2012, respectively.

8. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, GEI renegotiated its existing bank line of credit. The new line expires September 30, 2015, provides for maximum borrowings of \$2.5 million. At June 30, 2013 the interest rate on the line of credit was at the bank's commercial rate (prime) less 1.00% (2.25%). During January 2014, the agreement was further amended and the line of credit now bears interest at the one-month LIBOR rate plus 1.75% (1.92% at January 17, 2014). After the line was secured, GEI borrowed \$840,000 to finance startup costs, working capital and capital expenditures for its four new Excel Centers. The Met's portion of the total amount borrowed was \$0. The line of credit includes a non-use fee of 0.15% on the unused balance. Goodwill serves as a guarantor on the line of credit.

GOODWILL EDUCATION INITIATIVES, INC. -
INDIANAPOLIS METROPOLITAN HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Indiana Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	SY 2013	\$ 84,910
U.S. DEPARTMENT OF EDUCATION			
Indiana Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	SY 2011 - 2012	260,075
Title I Grants to Local Educational Agencies	84.010	SY 2012 - 2013	1,924
<i>Total for Title I, Part A Cluster</i>			261,999
Education Jobs	84.410	SY 2011 - 2012	8,215
Special Education Cluster			
Special Education - Grants to States	84.027	2011 - 2014	65,755
Improving Teacher Quality State Grants	84.367	2011 - 2013	24,497
Teacher Incentive Fund Cluster			
Teacher Incentive Fund	84.374	2011 - 2013	130,761
School Improvement Grants Cluster			
1003g SIG Professional Development Support	84.377A	SY 2011 - 2012	46,697
School Improvement Grants, Recovery Act - ARRA	84.388A	SY 2011 - 2012	106,394
School Improvement Grants, Recovery Act - ARRA	84.388A	SY 2012 - 2013	643,567
<i>Total for School Improvement Grants Cluster</i>			796,658
			<u>\$ 1,372,795</u>

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of the Met and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.



Greenwalt CPAs, Inc.
5342 W. Vermont Street
Indianapolis, IN 46224
www.greenwaltcpas.com

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*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Goodwill Education Initiatives, 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 in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Goodwill Education Initiatives, Inc. - Indianapolis Metropolitan High School (the Met) which comprise the statement of financial position as of June 30, 2013, and the related statement of activities and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we consider the Met'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 the Met's internal control. Accordingly, we do not express an opinion on the effectiveness of the Met'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 the internal control over financial reporting 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 financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Met's financial statements are free of 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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greenwald CPAs, Inc.

January 17, 2014



Greenwalt CPAs, Inc.
5342 W. Vermont Street
Indianapolis, IN 46224
www.greenwaltpas.com

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Goodwill Education Initiatives, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Goodwill Education Initiatives, Inc. - Indianapolis Metropolitan High School's (the Met) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Met's major federal programs for the year ended June 30, 2013. The Met's major federal programs are identified in the summary of audit 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Met'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 of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Met'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. However, our audit does not provide a legal determination on the Met's compliance.

Opinion

In our opinion, the Met complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on of its major federal programs for the year ended June 30, 2013.

Internal Control Over Compliance

Management of the Met is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Met's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Met'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Greenwald CPAs, Inc.

January 17, 2014

GOODWILL EDUCATION INITIATIVES, INC. -
 INDIANAPOLIS METROPOLITAN HIGH SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2013

A. SUMMARY OF AUDIT RESULTS

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
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4. Internal control over major programs:

Material weakness(es) identified?	_____yes	___X___no
Significant deficiency(ies) identified?	_____yes	___X___none reported
5. Type of auditors' report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

	_____yes	___X___no
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7. Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.377A	School Improvement Grants Cluster
84.388A	1003g SIG Professional Development Support
84.388A	School Improvement Grants, Recovery Act - ARRA
	School Improvement Grants, Recovery Act - ARRA
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. Auditee qualified as low-risk auditee?

	_____yes	___X___no
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B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

GOODWILL EDUCATION INITIATIVES, INC. -
INDIANAPOLIS METROPOLITAN HIGH SCHOOL
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

C. PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

SIGNIFICANT DEFICIENCY

2012-01

Condition: Two of the Met's reimbursement based grants had revenues in excess of expenses at June 30, 2012.

The excess had occurred as a result of expense reclassifications subsequent to the request for reimbursement and an inadvertent advance from the granting agency. However, the Met had incurred allowable expenses under the grants, with the exception of \$9,351. This resulted in an audit adjustment to release \$37,200 of revenue from restriction.

Criteria: The Met's financial reports and claim reimbursement requests should be reviewed by the Controller prior to submission in order to verify that expenses have been properly allocated to the grant and that misstatements have not occurred within the entity's financial reporting.

Cause: Expenses were reclassified after request for reimbursement.

Effect: The reclassifications resulted in an overstatement of temporarily restricted net assets at June 30, 2012.

Recommendation: We recommend that management review of the monthly financial results and expense allocations occur prior to submitting the request for reimbursement to the State.

View of Responsible Officials: We concur with the facts in this finding and would clarify that a number of issues combined to create this situation. We have since reconciled these grants with the Indiana Department of Education without penalty. We have also added a highly qualified school controller who has and will continue to ensure full compliance with grant budgets, timing and funding. We believe this is an isolated incident and will not recur, given the steps we have taken to improve the quality of the school accounting function.

Status: The corrective action plan was implemented and no issues were reported during 2013.

GOODWILL EDUCATION INITIATIVES, INC. -
INDIANAPOLIS METROPOLITAN HIGH SCHOOL
OTHER REPORT
JUNE 30, 2013

The reports presented herein were prepared in addition to another report prepared for the School as listed below:

Supplemental Audit Report of the Goodwill Education Initiatives, Inc. - Indianapolis Metropolitan
High School.