



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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 22, 2024

Charter School Board
Excel Centers, LLC
Marion County, Indiana

We have reviewed the audit report of Excel Centers, LLC which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of Excel Centers, LLC as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Blue & Co., LLC, Inc. prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Excel Centers, LLC, was prepared in accordance with the guidelines established by the State Board of Accounts.

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

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

Tammy R. White, CPA
Deputy State Examiner



FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2023 AND 2022

CPAs / ADVISORS



EXCEL CENTERS, LLC

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JUNE 30, 2023 AND 2022

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Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Excel Centers, LLC (Excel Centers), a wholly-owned subsidiary of Goodwill Education Initiatives, Inc., a non-profit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Excel Centers as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Excel Centers 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, Excel Centers adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Excel Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 Excel Centers' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Excel Center'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.

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents 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 November 3, 2023, above, on our consideration of Excel Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Excel Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Excel Center's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
November 3, 2023

EXCEL CENTERS, LLCSTATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
Current assets		
Cash	\$ 7,556,560	\$ 6,465,464
Support receivables	293,705	317,908
Prepaid expenses	178,246	118,424
Total current assets	8,028,511	6,901,796
Related party receivables	4,542,456	5,042,457
Property and equipment, net	4,454,430	4,888,759
Right-of-use assets under operating leases, net	6,017,401	-0-
Total assets	<u>\$ 23,042,798</u>	<u>\$ 16,833,012</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 36,830	\$ 362,831
Accrued expenses	854,889	785,283
Current portion of operating lease liabilities	1,252,219	-0-
Total current liabilities	2,143,938	1,148,114
Operating lease liabilities, net of current portion	4,905,638	-0-
Total liabilities	7,049,576	1,148,114
Net assets		
Without donor restrictions		
Undesignated	\$ 15,723,222	\$ 15,424,898
Board-designated	270,000	260,000
Total net assets	15,993,222	15,684,898
Total liabilities and net assets	<u>\$ 23,042,798</u>	<u>\$ 16,833,012</u>

See accompanying notes to the financial statements.

EXCEL CENTERS, LLCSTATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Revenues and support		
State support	\$ 28,341,695	\$ 27,442,122
Federal support	853,784	1,604,567
Contributions	7,543	2,015
Contributions, in-kind	553,324	121,000
Other	197,022	185,982
Total revenues and support	<u>29,953,368</u>	<u>29,355,686</u>
Expenses		
Wages and benefits	16,959,050	16,046,714
Professional fees	6,459,866	7,111,284
Supplies and materials	1,116,979	966,672
Student transportation	146,782	113,468
Drop-in center	31,118	26,064
Rent	2,052,930	1,881,976
Occupancy	1,501,207	1,627,199
Depreciation	1,273,887	1,291,438
Other	103,225	130,772
Total expenses	<u>29,645,044</u>	<u>29,195,587</u>
Change in net assets without donor restrictions	<u>308,324</u>	<u>160,099</u>
Net assets		
Beginning of year	15,684,898	15,524,799
End of year	<u>\$ 15,993,222</u>	<u>\$ 15,684,898</u>

See accompanying notes to the financial statements.

EXCEL CENTERS, LLC

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2023 AND 2022

	2023		
	Education Services	Management and General	Total Expenses
Wages and benefits	\$ 14,136,460	\$ 2,822,590	\$ 16,959,050
Professional fees	752,692	5,707,174	6,459,866
Supplies and materials	992,658	124,321	1,116,979
Student transportation	146,782	-0-	146,782
Drop-in center	31,118	-0-	31,118
Rent	2,052,930	-0-	2,052,930
Occupancy	179,814	1,321,393	1,501,207
Depreciation	1,273,887	-0-	1,273,887
Other	21,850	81,375	103,225
	\$ 19,588,191	\$ 10,056,853	\$ 29,645,044
	2022		
	Education Services	Management and General	Total Expenses
Wages and benefits	\$ 13,309,548	\$ 2,737,166	\$ 16,046,714
Professional fees	753,273	6,358,011	7,111,284
Supplies and materials	882,427	84,245	966,672
Student transportation	113,468	-0-	113,468
Drop-in center	26,064	-0-	26,064
Rent	1,881,976	-0-	1,881,976
Occupancy	-0-	1,627,199	1,627,199
Depreciation	1,291,438	-0-	1,291,438
Other	27,681	103,091	130,772
	\$ 18,285,875	\$ 10,909,712	\$ 29,195,587

See accompanying notes to the financial statements.

EXCEL CENTERS, LLCSTATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Change in net assets	\$ 308,324	\$ 160,099
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,273,887	1,291,438
Changes in operating assets and liabilities		
Support receivables	24,203	(208,652)
Related party receivables	500,001	(2,000,000)
Right-of-use assets under operating leases, net	(6,017,401)	-0-
Prepaid expenses	(59,822)	(12,149)
Accounts payable and accrued expenses	(298,001)	(219)
Accrued salaries, wages and other liabilities	69,606	108,890
Operating lease liabilities	6,157,857	-0-
Net cash flows from operating activities	1,958,654	(660,593)
Investing activities		
Purchases of property and equipment	(867,558)	(1,342,227)
Change in cash	1,091,096	(2,002,820)
Cash		
Beginning of year	6,465,464	8,468,284
End of year	<u>\$ 7,556,560</u>	<u>\$ 6,465,464</u>
Supplemental cash flows information		
In-kind rent	\$ 553,324	\$ 121,000
Property and equipment included in accounts payable	\$ 28,000	\$ -0-

See accompanying notes to the financial statements.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Excel Centers, LLC (Excel Centers) operates Indiana public charter high schools 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 adult lives. GEI operates public charter high schools (Excel Centers and Indianapolis Metropolitan High School, LLC (Indianapolis Met), interchangeably referred to herein as “the schools”) in central and southern Indiana under the provisions of the Indiana Charter School laws. Excel Centers located in Anderson, Bloomington, Clarksville, Kokomo, Lafayette, Muncie, Noblesville, Richmond, and Shelbyville operate under charters issued by the Indiana Charter School Board. Excel Centers located in Indianapolis operate under charters issued by the Mayor of Indianapolis. GEI is a wholly owned subsidiary of Goodwill of Central and Southern Indiana, Inc. (Goodwill), also an Indiana non-profit corporation.

Excel Centers operated in sixteen locations throughout Indiana during 2023, leasing space at Goodwill’s Indianapolis headquarters building and in fifteen other locations. In the schedules of financial position – by location and schedules of activities and changes in net assets – by location, each column represents one location with the exception that Excel Center for Adult Learners consists of accounts of four locations. GEI provides business support services, as further described in Note 5, to all Excel Centers’ locations. Excel Centers receives the majority of its funding from the Indiana Department of Education. Its revenues are supplemented with funds from the United States Department of Education, private grants, and gifts. Excel Centers commenced initial operations in September 2010 with an enrollment of 306 adults who previously dropped out of high school and were seeking their high school diplomas rather than a GED. Due to high demand for Excel Centers services, enrollment has grown to more than 4,000 students.

Since its inception, Excel Centers has graduated 7,839 students. Demographics of Excel Centers’ students include approximately 62% minorities, and 46% in poverty, defined as being eligible for free or reduced lunch. Excel Centers’ students range in age from 16 to 77, with the average age of 27 and median age of 23. All students have varying degrees of academic credits and capabilities when they enroll, with most needing significant remediation. Excel Centers’ students connect with a life coach who helps them navigate the barriers that stand in the way of their educational attainment. During 2023, Excel Centers reported the following September and February enrollments:

School	Corp #	Enrollment Budget	September 2022	February 2023
The Excel Center - Anderson	9750	290	295	294
The Excel Center - Bloomington	8655	155	129	123
The Excel Center - Clarksville	9050	300	304	310
The Excel Center - Kokomo	9355	335	345	341
The Excel Center - Lafayette	9345	330	332	340
Excel Centers for Adult Learners - Indianapolis	9910	1,220	1,230	1,220
The Excel Center - Muncie	9160	275	278	277
The Excel Center - Noblesville	9855	185	188	191
The Excel Center - Richmond	9305	200	205	200
The Excel Center - Shelbyville	9995	155	148	146
The Excel Center - University Heights - Indianapolis	9840	385	392	390
The Excel Center - West - Indianapolis	9335	335	339	338
		<u>4,165</u>	<u>4,185</u>	<u>4,170</u>

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Basis of Accounting

Excel Centers prepares its financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues when they are earned and measurable in the accounting period when services are provided, and the recognition of expenses in the period in which they occur.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Excel Centers maintains its cash in accounts, which at times, may exceed federally insured limits. Excel Centers has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Support Receivables

Support receivables are amounts due from federal, state, or local government agencies or other organizations for amounts billed for services and not yet paid. The government agencies or other organizations are billed in the period in which services are rendered. Support receivables are reported at the net realizable amount due from the government agencies or other organizations.

Support receivables are recognized at the net amount Excel Centers expects to collect based on established collection history. Excel Centers recognizes a separate allowance only when it determines there has been an unforeseeable change in an organization's ability to pay subsequent to the delivery of goods and services resulting in an impairment loss. Such account balances are charged off against the allowance after all means of collection have been exhausted and the potential recovery is considered remote. Excel Centers did not record an allowance for doubtful accounts as of June 30, 2023 and 2022.

Related Party Receivables

As of June 30, 2023 and 2022, related party receivables represented amounts due from GEI of approximately \$4,542,000 and \$5,042,000, respectively, that will be paid back to Excel Centers, as needed, to maintain minimum cash balances. These items are included in related party receivables in the statements of financial position.

Prepaid Expenses

Prepaid expenses relate to advance payments on products or services that will be used for future programs or activities.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Property, Equipment and Depreciation

Property and equipment are recorded at cost, or if donated, at fair market value at date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance repairs and minor replacements are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from 3-10 years, and is computed on the straight-line method. Depreciation expense was approximately \$1,274,000 and \$1,291,000 for 2023 and 2022, respectively.

Net Assets

Net assets, support, revenues, gains, and losses are classified based on the absence or existence of donor restrictions. Accordingly, the net assets of Excel Centers are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Board-Designated Net Assets

Excel Centers operates nine schools which received their authorization through the Indiana Charter School Board (ICSB). The ICSB requires that each school establish an account held in escrow of \$30,000 no later than December of the third year of operations. The escrow account is designated for any potential dissolution of the school. The Excel Centers held the following amounts in escrow which have been presented as board designated net assets in the statement of financial position at June 30:

	2023	2022
The Excel Center - Anderson	\$ 30,000	\$ 30,000
The Excel Center - Kokomo	30,000	30,000
The Excel Center - Lafayette	30,000	30,000
The Excel Center - Noblesville	30,000	30,000
The Excel Center - Richmond	30,000	30,000
The Excel Center - Shelbyville	30,000	30,000
The Excel Center - Clarksville	30,000	30,000
The Excel Center - Muncie	30,000	30,000
The Excel Center - Bloomington	30,000	20,000
	<u>\$ 270,000</u>	<u>\$ 260,000</u>

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

State and Federal Support

Excel Centers' revenue is primarily derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by Excel Centers as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Amounts received are recognized as revenue when Excel Centers has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were no refundable advances as of June 30, 2023 and 2022. Amounts due after incurring qualifying expenditures are reported as support receivables in the statements of financial position. Support receivables were approximately \$294,000 and \$318,000 as of June 30, 2023 and 2022.

Excel Centers receives state funds that have been designated for charter schools from the Indiana Department of Education. The State of Indiana uses a formula based on the number of students enrolled in the school during the year to determine the amount of funds Excel Centers receives. Excel Centers also receives federal support through a variety of programs administered by the Indiana Department of Education.

Excel Centers derives a significant portion of its revenues and support from state and federal funding programs (approximately 97% and 99% in 2023 and 2022, respectively). The receipt of future revenues by Excel Centers is subject to among other factors, state and federal policies affecting education, economic conditions, and other conditions which are impossible to predict.

Contributions

Contributions, including unconditional promises to give, are recognized when received. Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. If a restriction is fulfilled in the same reporting period in which the contribution is received, the contribution is reported as net assets without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, applicable net assets with restriction are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions.

Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due unless the contribution is clearly intended to support activities of the current year or is received with restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. Excel Centers also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions. Receipt of funds for conditional contributions are recorded as a refundable advance in the statements of financial position until conditions are satisfied. Once satisfied, the refundable advance is released into contribution revenue. Materials, property, equipment and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair market values on the date received. There were no significant contributed nonfinancial assets, other than in-kind rent, during 2023 and 2022.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Advertising

Excel Centers uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising expense totaled approximately \$250,000 and \$278,000 during 2023 and 2022, respectively, and is included within professional fees expenses within the statements of activities and changes in net assets.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a natural basis in the statements of activities and changes in net assets and have been summarized on a functional basis in the statements of functional expenses. Expenses have been classified as education services and management and general based on actual direct expenditures incurred and cost allocations. Certain costs have been allocated among education services and management and general categories based on an estimate of time and effort spent by Excel Centers' personnel. These expenses include wages and benefits. Although the methods used were appropriate, alternative methods may provide different results.

Income Taxes

Excel Centers is a wholly owned LLC of GEI, and as a result, the Internal Revenue Service disregards Excel Centers as a separate taxable entity and considers Excel Centers as part of GEI for tax reporting purposes. 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 principles generally accepted in the United States of America require management to evaluate tax positions taken by Excel Centers and recognize a tax liability if Excel Centers has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Excel Centers, and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. GEI is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

GEI filed its federal and state income tax returns for periods through June 30, 2022. The income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation. The reclassifications had no effect on the previously reported net assets or change in net assets.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about Excel Centers' ability to continue as a going concern for a period of one year from the date the financial statements were available to be issued. Management's evaluation as of June 30, 2023 identified no conditions or events raising substantial doubt.

Subsequent Events

Excel Centers has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is November 3, 2023.

2. CHANGE IN ACCOUNTING PRINCIPLE

On July 1, 2022, Excel Centers adopted the new lease accounting standard issued by the Financial Accounting Standards Board and codified in the Accounting Standards Codification (ASC) as Topic 842 (ASC 842). The lease standard in ASC 842 intended to improve financial reporting about leasing transactions by requiring entities to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in ASC 842) of twelve months or less are not required to be reflected on an entity's statement of financial position.

When adopting ASC 842, Excel Centers applied the modified retrospective approach to all lease agreements. ASC 842 was applied retrospectively to the beginning of the period of adoption through a cumulative-effect adjustment recognized as of July 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance in ASC 840. The adoption of ASC 842 had a material impact on the statement of financial position but did not have a material impact on the statement of activities and changes in net assets, and the statement of cash flows. As of July 1, 2022, Excel Centers's total assets and total liabilities increased by approximately \$6,017,000 and \$6,158,000, respectively, as a result of ASC 842. The most significant impact was the recognition of right-of-use (ROU) assets under operating leases and operating lease liabilities for operating leases.

Excel Centers elected the available practical expedients to account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether any expired or existing contracts contain a lease, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. In addition, Excel Centers's elected the hindsight practical expedient to determine the lease term for existing leases.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

3. PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	2023	2022
Furniture	\$ 2,064,375	\$ 2,016,677
Equipment	2,427,316	2,427,316
Computers	2,813,221	2,813,221
Software	331,644	967,697
Leasehold improvements	8,316,206	7,850,634
Work in process	121,489	495,235
	<u>16,074,251</u>	<u>16,570,780</u>
Accumulated depreciation	(11,619,821)	(11,682,021)
Property and equipment, net	<u>\$ 4,454,430</u>	<u>\$ 4,888,759</u>

4. RETIREMENT PLANS

Excel Centers' employees are employed and paid by GEI. Certain Excel Centers' employees (licensed teachers, counselors, and certain administrative staff) are eligible to participate in the Indiana Teachers Retirement Fund (TRF) Defined Benefit Plan (TRF DB) and TRF Defined Contribution Plan (TRF DC). TRF DB is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. TRF DC is a cost-sharing multiple-employer defined contribution plan governed by the State of Indiana and administered by the INPRS Board. By statute, employers are required to contribute 7.5% of an employee's pretax gross income to TRF DB. Employers may also elect to contribute an additional 3% to TRF DC in lieu of the employee's own contributions. GEI has elected to make the voluntary contribution to TRF DC on behalf of its eligible employees, including employees of Excel Centers. Excel Centers contributed approximately \$555,000 and \$503,000 to TRF on behalf of its employees for 2023 and 2022, respectively. Should Excel Centers elect to withdraw from TRF, Excel Centers could be subject to a withdrawal fee. Excel Centers contributions represent an insignificant percentage of the total contributions received by TRF. A copy of the complete annual report for the year ended June 30, 2022 can be obtained at: www.in.gov/inprs.

Excel Centers' employees not eligible for TRF may elect to participate in Goodwill's discretionary thrift plan. For employees not eligible for TRF, Goodwill matches 100% of eligible employees pre-tax contributions, up to 6% of gross income. Goodwill may also make additional discretionary contributions to the plan. Employer matching contributions vest immediately, and employer discretionary contributions vest after three years or in the event of death or disability. Excel Centers' expense relating to contributions to the Goodwill thrift plan for 2023 and 2022 was approximately \$194,000 and \$178,000, respectively.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

5. RELATED PARTY TRANSACTIONS

Excel Centers is owned and operated by GEI. GEI provides employees, certain school-specific administrative services, and general management and oversight of the Excel Centers. GEI charges Excel Centers for its expenses related to the services provided. No markup is added to the fees charged to the schools. During 2023 and 2022, Excel Centers paid approximately \$4,561,000 and \$4,590,000, respectively, to GEI for administrative services and capital recovery charges, which are included in professional fees within the statements of activities and changes in net assets.

Goodwill provides space to Excel Centers locations at Clarksville and Excel Center for Adult Learners (Michigan Road). Excel Centers paid approximately \$-0- and \$174,000 in 2023 and 2022, respectively, to Goodwill for use of the facilities space. GEI provides space to Excel Centers locations at Kokomo and Excel Center for Adult Learners (Meadows) Excel Centers paid approximately \$-0- and \$164,000 in 2023 and 2022, respectively, to GEI for use of the facilities space. The non-billed portion of the contributed space from Goodwill and GEI is considered an in-kind contribution and is recorded as revenue and rent expense in the statements of activities and changes in net assets. In 2023 and 2022, Goodwill provided approximately \$174,000 and \$-0-, respectively, of in-kind rent. In 2023 and 2022, GEI provided approximately \$258,000 and \$-0-, respectively, of in-kind rent. These in-kind contributions are treated as non-cash transactions and are excluded from the accompanying statements of cash flows. In valuing the contributed rent for the buildings, which are located in Indianapolis, Clarksville, and Kokomo, Indiana, Excel Centers estimated the fair value on the basis of comparable rental properties and related prices for similar organizations in the Indianapolis, Indiana real estate market. There are no restrictions on these contributed nonfinancial assets. Refer to additional operating lease disclosures in Note 8.

Excel Centers leases its Decatur Township Excel Center location from GEI for \$1 per year plus a capital recovery fee not to exceed \$20,000 annually. The lease expires June 2024. In-kind revenue and expense have been recorded within the statements of activities and changes in net assets at the estimated in-kind contribution and corresponding expense of approximately \$121,000 in both 2023 and 2022. The in-kind contributions are treated as non-cash transactions are excluded from the accompanying statements of cash flows. In valuing the contributed rent for the building, which is located in Indianapolis, Indiana, Excel Centers estimated the fair value on the basis of comparable rental properties and related prices for similar organizations in the Indianapolis, Indiana real estate market. There are no restrictions on these contributed nonfinancial assets.

Goodwill also pays certain operating expenses, including certain employee benefits, of Excel Centers, for which Excel Centers fully reimburses Goodwill. No markup is charged. In 2023 and 2022, Excel Centers paid Goodwill approximately \$3,068,000 and \$3,026,000, respectively. At June 30, 2023 and 2022, Excel Centers owed Goodwill approximately \$16,000 and \$-0- for reimbursable operating expenses, which are included in accounts payable and accrued expenses on the statements of financial position.

Excel Centers 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 \$500,000, and no aggregate maximum. Goodwill purchases reinsurance which pays individual claims that exceed \$500,000 per year. 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. Excel Centers paid premiums to the Goodwill health care plan of approximately \$1,727,000 and \$1,752,000 for 2023 and 2022, respectively.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

6. RISKS AND UNCERTAINTIES

The majority of revenues relate to legislation enacted by the State of Indiana. Changes in state legislation could significantly affect Excel Centers. Additionally, Excel Centers is subject to monitoring and audit by state agencies. Those examinations may result in additional liabilities to be imposed on Excel Centers.

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

Excel Centers' financial assets available within one year of the June 30, 2023 and 2022 statements of financial position for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash	\$ 7,556,560	\$ 6,465,464
Less board-designated cash	<u>(270,000)</u>	<u>(260,000)</u>
Cash, net	7,286,560	6,205,464
Support receivables	293,705	317,908
Related party receivables	<u>4,542,456</u>	<u>5,042,457</u>
Total financial assets	<u>\$ 12,122,721</u>	<u>\$ 11,565,829</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Support receivables are subject to implied time restrictions but are expected to be collected within one year. Excel Centers has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

8. OPERATING LEASES

Excel Centers recognizes ROU assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. Excel Centers had no financing leases as of June 30, 2023.

Excel Centers has operating leases for office space and equipment. Leasing arrangements require fixed payments and also include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. Excel Centers's lease agreements do not contain any material restrictive covenants. The leases have remaining terms of approximately 1 to 6 years.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Excel Centers's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. As a non-profit business entity, Excel Centers made a policy election to use a risk-free discount rate based on the rate of a zero-coupon U.S. treasury instrument commensurate to the lease term as the discount rate for its leases unless Excel Centers can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and utilities. Excel Centers has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its ROU assets and lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are rather expensed on a straight-line basis over the lease term. Short-term leases were not significant to the financial statements.

In evaluating contracts to determine if they qualify as a lease, Excel Centers considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if Excel Centers can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, Excel Centers assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgement.

The components of Excel Centers's lease cost, ROU assets and lease liabilities as of and for the year ended June 30, 2023 are as follows:

Lease cost	
Operating lease cost	\$ 1,499,606
In-kind rent	553,324
Total lease cost	<u>\$ 2,052,930</u>
Right-of-use assets	
Operating lease assets, net	<u>\$ 6,017,401</u>
Deferred rent reduction included in right-of-use assets	<u>\$ 140,456</u>
Lease liabilities	
Operating lease liabilities, current	\$ 1,252,219
Operating lease liabilities, noncurrent	4,905,638
Total lease liabilities	<u>\$ 6,157,857</u>

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Additional information regarding cash payments under Excel Centers's operating leases during 2023, as well as the inputs used in determining the ROU assets and liabilities at June 30, 2023, is as follows:

Cash paid for amount included in measurement of lease liabilities	
Operating cash flows from operating leases	\$ 1,499,606
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1,638,356
Weighted-average remaining lease term - operating leases	6.23 years
Weighted-average discount rate - operating leases	4.00%

Future payments of lease liabilities as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 1,459,586
2025	1,281,994
2026	1,165,049
2027	1,106,503
2028	940,904
Thereafter	667,823
Total lease payments	<u>6,621,859</u>
Less interest	<u>(464,002)</u>
Present value of lease liabilities	<u>\$ 6,157,857</u>

Total rental expense for all operating leases during 2022 was approximately \$1,882,000. Future minimum lease payments under operating leases having initial terms in excess of one year as of June 30, 2022, under previous accounting guidance under ASC 840, were as follows:

<u>Year Ending June 30,</u>	
2023	\$ 1,302,474
2024	1,301,980
2025	1,258,957
2026	1,090,946
2027	1,003,106
Thereafter	2,605,538
Total lease payments	<u>\$ 8,563,001</u>

The leases include escalating lease payments that, under accounting principles generally accepted in the United States of America, are to be recognized on a straight-line basis. As of June 30, 2023, the ROU asset was reduced by approximately \$140,000 for deferred rent. Prior to the adoption of ASC 842, Excel Centers recorded a deferred rent liability for the difference between the amounts paid and the amounts expensed under the leases as of June 30, 2022, which was not significant to the financial statements.

SUPPLEMENTARY INFORMATION

EXCEL CENTERS, LLC

SCHEDULE OF FINANCIAL POSITION – BY LOCATION
JUNE 30, 2023

	9750	9355	9345	9305	9335	9855	9840	9910	9955	9050	9160	8655	9036		
	Anderson	Kokomo	Lafayette	Richmond	West	Noblesville	University Heights	Excel Center for Adult Learners	Shelbyville	Clarksville	Muncie	Bloomington	Southeast	Eliminations	Total
ASSETS															
Current assets															
Cash	\$ 202,288	\$ 841,141	\$ 722,602	\$ 394,479	\$ 1,014,553	\$ 261,890	\$ 915,385	\$ 2,396,580	\$ 137,091	\$ 204,827	\$ 315,945	\$ 183,439	\$ (33,660)	\$ -0-	\$ 7,556,560
Support receivables	35,911	16,736	13,541	10,216	19,391	11,668	14,566	50,057	11,345	13,390	45,312	11,366	40,206	-0-	293,705
Prepaid expenses	270	1,037	-0-	-0-	-0-	-0-	-0-	77,499	97,398	-0-	2,042	-0-	-0-	-0-	178,246
Total current assets	238,469	858,914	736,143	404,695	1,033,944	273,558	929,951	2,524,136	245,834	218,217	363,299	194,805	6,546	-0-	8,028,511
Related party receivables	755,306	760,000	425,000	630,307	2,145,229	-0-	-0-	1,832,614	-0-	-0-	-0-	-0-	-0-	(2,006,000)	4,542,456
Property and equipment, net	691,110	82,359	13,477	46,949	43,216	14,855	605,653	1,356,051	108,028	1,166,405	27,535	270,460	28,332	-0-	4,454,430
Right-of-use assets under operating leases, net	1,256,209	-0-	561,688	588,370	12,397	118,560	1,121,520	958,913	258,508	27,861	1,011,054	102,321	-0-	-0-	6,017,401
Total assets	\$ 2,941,094	\$ 1,701,273	\$ 1,736,308	\$ 1,670,321	\$ 3,234,786	\$ 406,973	\$ 2,657,124	\$ 6,671,714	\$ 612,370	\$ 1,412,483	\$ 1,401,888	\$ 567,586	\$ 34,878	\$ (2,006,000)	\$ 23,042,798
LIABILITIES AND NET ASSETS															
Current liabilities															
Accounts payable	\$ 167	\$ 1,393	\$ (258)	\$ -0-	\$ -0-	\$ 300	\$ 2,690	\$ 3,472	\$ 167	\$ 1,521	\$ (115)	\$ (839)	\$ 28,332	\$ -0-	\$ 36,830
Accrued expenses	64,903	68,688	69,395	57,964	61,140	37,380	63,727	237,701	26,433	64,955	47,365	36,701	18,537	-0-	854,889
Related party payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	996,000	-0-	1,010,000	-0-	(2,006,000)	-0-
Current portion of operating lease liabilities	191,395	-0-	97,374	125,427	4,068	118,560	186,602	142,232	83,698	9,142	201,719	92,002	-0-	-0-	1,252,219
Total current liabilities	256,465	70,081	166,511	183,391	65,208	156,240	253,019	383,405	110,298	1,071,618	248,969	1,137,864	46,869	(2,006,000)	2,143,938
Operating lease liabilities, net of current portion	1,064,813	-0-	475,262	474,818	8,329	-0-	993,126	850,343	177,496	18,719	832,413	10,319	-0-	-0-	4,905,638
Total liabilities	1,321,278	70,081	641,773	658,209	73,537	156,240	1,246,145	1,233,748	287,794	1,090,337	1,081,382	1,148,183	46,869	(2,006,000)	7,049,576
Net assets (deficit)															
Without donor restrictions															
Undesignated	1,589,816	1,601,192	1,064,535	982,112	3,161,249	220,733	1,410,979	5,437,966	294,576	292,146	290,506	(610,597)	(11,991)	-0-	15,723,222
Board-designated	30,000	30,000	30,000	30,000	-0-	30,000	-0-	-0-	30,000	30,000	30,000	30,000	-0-	-0-	270,000
Total net assets (deficit)	1,619,816	1,631,192	1,094,535	1,012,112	3,161,249	250,733	1,410,979	5,437,966	324,576	322,146	320,506	(580,597)	(11,991)	-0-	15,993,222
Total liabilities and net assets	\$ 2,941,094	\$ 1,701,273	\$ 1,736,308	\$ 1,670,321	\$ 3,234,786	\$ 406,973	\$ 2,657,124	\$ 6,671,714	\$ 612,370	\$ 1,412,483	\$ 1,401,888	\$ 567,586	\$ 34,878	\$ (2,006,000)	\$ 23,042,798

See Report of Independent Auditors on pages 1 through 3.

EXCEL CENTERS, LLC

**SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – BY LOCATION
YEAR ENDED JUNE 30, 2023**

	9750	9355	9345	9305	9335	9855	9840	9910	9955	9050	9160	8655	9036		
	Anderson	Kokomo	Lafayette	Richmond	West	Noblesville	University Heights	Excel Center for Adult Learners	Shelbyville	Clarksville	Muncie	Bloomington	Southeast	Eliminations	Total
Revenues and support															
State support	\$ 1,998,829	\$ 2,321,671	\$ 2,287,374	\$ 1,371,399	\$ 2,294,296	\$ 1,288,860	\$ 2,648,184	\$ 8,301,075	\$ 997,999	\$ 2,083,303	\$ 1,878,296	\$ 870,409	\$ -0-	\$ -0-	\$ 28,341,695
Federal support	57,604	65,788	47,644	66,732	46,511	55,626	63,990	197,318	55,403	75,275	47,689	33,998	40,206	-0-	853,784
Contributions	5,543	-0-	-0-	-0-	-0-	-0-	2,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,543
Contributions, in-kind	-0-	94,500	-0-	-0-	-0-	-0-	-0-	422,184	-0-	36,640	-0-	-0-	-0-	-0-	553,324
Other	27,546	11,725	15,482	1,670	8,628	10,055	10,055	62,748	13,465	14,598	10,083	10,967	-0-	-0-	197,022
Interfund transfer	575,000	215,000	250,000	200,000	200,000	150,000	270,000	350,000	225,000	175,000	175,000	150,000	-0-	(2,935,000)	-0-
Total revenues and support	2,664,522	2,708,684	2,600,500	1,639,801	2,549,435	1,504,541	2,994,229	9,333,325	1,291,867	2,384,816	2,111,068	1,065,374	40,206	(2,935,000)	29,953,368
Expenses															
Wages and benefits	1,173,497	1,536,974	1,437,715	990,301	1,296,783	930,171	1,451,995	4,613,837	719,023	1,084,856	1,097,932	586,822	39,144	-0-	16,959,050
Professional fees	360,172	550,061	459,466	246,801	655,481	259,798	583,509	2,315,096	128,580	487,989	280,524	132,389	-0-	-0-	6,459,866
Supplies and materials	117,198	106,036	105,990	70,099	78,735	42,058	58,766	276,520	48,239	88,420	49,828	62,278	12,812	-0-	1,116,979
Student transportation	856	(2,970)	15,900	5,197	4,390	2,016	6,708	88,700	499	21,780	(258)	3,964	-0-	-0-	146,782
Drop-in center	4,173	1,001	7,812	1,024	1,503	683	3,559	7,437	185	1,708	957	1,076	-0-	-0-	31,118
Rent	230,408	120,238	120,831	135,375	98,280	117,144	206,319	580,686	90,526	36,640	234,296	82,187	-0-	-0-	2,052,930
Occupancy	61,653	87,104	196,030	120,914	140,874	19,338	161,652	361,114	62,843	191,695	26,111	71,879	-0-	-0-	1,501,207
Depreciation	151,406	21,946	34,818	27,040	7,353	7,359	182,968	318,065	31,373	100,828	192,528	198,203	-0-	-0-	1,273,887
Interfund transfer	575,000	215,000	250,000	200,000	200,000	150,000	270,000	350,000	225,000	175,000	175,000	150,000	-0-	(2,935,000)	-0-
Other	12,537	8,240	11,360	4,005	7,026	6,464	7,531	27,106	3,294	6,386	5,783	3,252	241	-0-	103,225
Total expenses	2,686,900	2,643,630	2,639,922	1,800,756	2,490,425	1,535,031	2,933,007	8,938,561	1,309,562	2,195,302	2,062,701	1,292,050	52,197	(2,935,000)	29,645,044
Change in net assets without donor restrictions	(22,378)	65,054	(39,422)	(160,955)	59,010	(30,490)	61,222	394,764	(17,695)	189,514	48,367	(226,676)	(11,991)	-0-	308,324
Net assets															
Beginning of year	1,642,194	1,566,138	1,133,957	1,173,067	3,102,239	281,223	1,349,757	5,043,202	342,271	132,632	272,139	(353,921)	-0-	-0-	15,684,898
End of year	\$ 1,619,816	\$ 1,631,192	\$ 1,094,535	\$ 1,012,112	\$ 3,161,249	\$ 250,733	\$ 1,410,979	\$ 5,437,966	\$ 324,576	\$ 322,146	\$ 320,506	\$ (580,597)	\$ (11,991)	\$ -0-	\$ 15,993,222

See Report of Independent Auditors on pages 1 through 3.

EXCEL CENTERS, LLC

**SCHEDULE OF FINANCIAL POSITION – BY LOCATION
JUNE 30, 2022**

	9750	9355	9345	9305	9335	9855	9910		9955	9050	9160	8655		
	Anderson	Kokomo	Lafayette	Richmond	West	Noblesville	University Heights	Excel Center for Adult Learners	Shelbyville	Clarksville	Muncie	Bloomington	Eliminations	Total
ASSETS														
Current assets														
Cash	\$ 155,936	\$ 601,318	\$ 609,426	\$ 531,671	\$ 884,944	\$ 302,701	\$ 676,211	\$ 1,462,467	\$ 349,839	\$ 371,194	\$ 369,430	\$ 150,327	\$ -0-	\$ 6,465,464
Support receivables	39,464	12,682	39,181	14,048	2,536	6,173	21,333	115,530	6,409	8,555	45,771	6,226	-0-	317,908
Prepaid expenses	11,657	10,500	9,157	10,292	8,190	9,762	16,159	10,403	7,320	-0-	17,602	7,382	-0-	118,424
Total current assets	207,057	624,500	657,764	556,011	895,670	318,636	713,703	1,588,400	363,568	379,749	432,803	163,935	-0-	6,901,796
Related party receivables	1,005,306	980,775	544,000	630,307	2,272,360	-0-	-0-	2,166,333	-0-	-0-	-0-	-0-	(2,556,624)	5,042,457
Property and equipment, net	511,827	41,831	39,137	43,045	13,051	12,452	771,611	1,554,499	25,172	1,212,393	202,461	461,280	-0-	4,888,759
Total assets	<u>\$ 1,724,190</u>	<u>\$ 1,647,106</u>	<u>\$ 1,240,901</u>	<u>\$ 1,229,363</u>	<u>\$ 3,181,081</u>	<u>\$ 331,088</u>	<u>\$ 1,485,314</u>	<u>\$ 5,309,232</u>	<u>\$ 388,740</u>	<u>\$ 1,592,142</u>	<u>\$ 635,264</u>	<u>\$ 625,215</u>	<u>\$ (2,556,624)</u>	<u>\$ 16,833,012</u>
LIABILITIES AND NET ASSETS														
Current liabilities														
Accounts payable	\$ 32,588	\$ 18,938	\$ 43,040	\$ 18,566	\$ 28,896	\$ 13,998	\$ 37,851	\$ 70,694	\$ 17,006	\$ 21,491	\$ 32,920	\$ 26,843	\$ -0-	\$ 362,831
Accrued expenses	49,408	62,030	63,904	37,730	49,946	35,867	97,706	195,336	29,463	73,019	48,581	42,293	-0-	785,283
Related party payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,365,000	281,624	910,000	(2,556,624)	-0-
Total liabilities	81,996	80,968	106,944	56,296	78,842	49,865	135,557	266,030	46,469	1,459,510	363,125	979,136	(2,556,624)	1,148,114
Net assets (deficit)														
Without donor restrictions														
Undesignated	1,612,194	1,536,138	1,103,957	1,143,067	3,102,239	251,223	1,349,757	5,043,202	312,271	102,632	242,139	(373,921)	-0-	15,424,898
Board-designated	30,000	30,000	30,000	30,000	-0-	30,000	-0-	-0-	30,000	30,000	30,000	20,000	-0-	260,000
Total net assets (deficit)	1,642,194	1,566,138	1,133,957	1,173,067	3,102,239	281,223	1,349,757	5,043,202	342,271	132,632	272,139	(353,921)	-0-	15,684,898
Total liabilities and net assets	<u>\$ 1,724,190</u>	<u>\$ 1,647,106</u>	<u>\$ 1,240,901</u>	<u>\$ 1,229,363</u>	<u>\$ 3,181,081</u>	<u>\$ 331,088</u>	<u>\$ 1,485,314</u>	<u>\$ 5,309,232</u>	<u>\$ 388,740</u>	<u>\$ 1,592,142</u>	<u>\$ 635,264</u>	<u>\$ 625,215</u>	<u>\$ (2,556,624)</u>	<u>\$ 16,833,012</u>

See Report of Independent Auditors on pages 1 through 3.

EXCEL CENTERS, LLC

**SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – BY LOCATION
YEAR ENDED JUNE 30, 2022**

	9750	9355	9345	9305	9335	9855	9840	9910	9955	9050	9160	8655		Total
	Anderson	Kokomo	Lafayette	Richmond	West	Noblesville	University Heights	Excel Center for Adult Learners	Shelbyville	Clarksville	Muncie	Bloomington	Eliminations	
Revenues and support														
State support	\$ 1,990,195	\$ 2,348,409	\$ 2,250,733	\$ 1,363,939	\$ 2,252,081	\$ 1,257,518	\$ 2,651,278	\$ 7,645,802	\$ 1,058,455	\$ 2,073,493	\$ 1,871,401	\$ 678,818	\$ -0-	\$ 27,442,122
Federal support	100,108	146,531	170,157	146,124	73,064	105,966	63,167	339,937	80,682	145,570	168,011	65,250	-0-	1,604,567
Contributions	122	263	299	85	143	79	167	478	66	128	117	68	-0-	2,015
Contributions, in-kind	-0-	-0-	-0-	-0-	-0-	-0-	-0-	121,000	-0-	-0-	-0-	-0-	-0-	121,000
Other	11,769	12,009	19,165	26,470	9,847	9,247	9,315	28,237	20,740	9,600	17,514	12,069	-0-	185,982
Interfund transfer	650,000	500,000	500,000	400,000	400,000	97,500	900,000	1,825,000	200,000	350,000	300,000	-0-	(6,122,500)	-0-
Total revenues and support	2,752,194	3,007,212	2,940,354	1,936,618	2,735,135	1,470,310	3,623,927	9,960,454	1,359,943	2,578,791	2,357,043	756,205	(6,122,500)	29,355,686
Expenses														
Wages and benefits	1,111,915	1,418,495	1,307,769	963,358	1,246,473	868,775	1,350,480	4,313,252	708,547	1,075,232	1,073,575	608,843	-0-	16,046,714
Professional fees	467,363	670,810	622,322	297,280	686,096	236,554	730,432	2,191,516	217,722	536,309	354,248	100,632	-0-	7,111,284
Supplies and materials	111,163	85,804	86,048	75,590	93,608	25,131	80,450	221,770	35,442	51,378	70,924	29,364	-0-	966,672
Student transportation	40	8,940	16,859	3,040	3,748	96	1,193	19,071	2,060	53,628	1,868	2,925	-0-	113,468
Drop-in center	4,098	1,172	5,517	1,127	1,022	115	2,075	6,059	978	2,595	311	995	-0-	26,064
Rent	151,167	126,000	109,882	123,500	98,280	117,144	194,755	547,721	82,991	36,640	211,219	82,677	-0-	1,881,976
Occupancy	128,733	132,876	205,638	121,374	120,397	10,391	132,620	426,012	62,722	192,742	33,814	59,880	-0-	1,627,199
Depreciation	62,821	12,055	35,700	35,771	25,090	39,730	188,265	328,952	25,709	139,311	194,459	203,575	-0-	1,291,438
Interfund transfer	650,000	500,000	500,000	400,000	400,000	97,500	900,000	1,825,000	200,000	350,000	300,000	-0-	(6,122,500)	-0-
Other	7,056	8,164	12,435	3,626	5,724	47,262	6,417	23,337	4,553	4,825	4,763	2,610	-0-	130,772
Total expenses	2,694,356	2,964,316	2,902,170	2,024,666	2,680,438	1,442,698	3,586,687	9,902,690	1,340,724	2,442,660	2,245,181	1,091,501	(6,122,500)	29,195,587
Change in net assets without donor restrictions	57,838	42,896	38,184	(88,048)	54,697	27,612	37,240	57,764	19,219	136,131	111,862	(335,296)	-0-	160,099
Net assets														
Beginning of year	1,584,356	1,523,242	1,095,773	1,261,115	3,047,542	253,611	1,312,517	4,985,438	323,052	(3,499)	160,277	(18,625)	-0-	15,524,799
End of year	\$ 1,642,194	\$ 1,566,138	\$ 1,133,957	\$ 1,173,067	\$ 3,102,239	\$ 281,223	\$ 1,349,757	\$ 5,043,202	\$ 342,271	\$ 132,632	\$ 272,139	\$ (353,921)	\$ -0-	\$ 15,684,898

See Report of Independent Auditors on pages 1 through 3.



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

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

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

Report on the Financial Statements

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 Excel Centers, LLC (Excel Centers) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Excel Centers' internal control over financial reporting (internal control) as a basis for designing 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 Excel Centers' internal control. Accordingly, we do not express an opinion on the effectiveness of Excel Centers' 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 Excel Centers' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Excel Centers' 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 financial statements. 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 Excel Centers' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
November 3, 2023



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Excel Centers, LLC's (Excel Centers) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Excel Centers' major federal programs for the year ended June 30, 2023. Excel Centers' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Excel Centers complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Program

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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Excel Centers and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Excel Centers' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Excel Centers' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Excel Centers' compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Excel Centers' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Excel Centers' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Excel Centers' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Excel Centers' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Excel Centers as of and for the year ended June 30, 2023 and have issued our report thereon dated November 3, 2023, which contained an unmodified opinion on those financial statements. 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 Uniform Guidance, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
November 3, 2023

EXCEL CENTERS, LLC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grant ID Number	Expenditures
Major program			
U.S. Department of Education (DOE) through Indiana Department of Education (IDOE) COVID-19 - CARES Act - Education Stabilization Fund	84.425	S425D200013	\$ 698,582
Non-major programs			
DOE - through IDOE - Special Education Cluster - Grants to States	84.027	H027A190084	52,793
DOE - through IDOE - Title III - English Language Acquisition State Grants	84.365	S365A210014	1,000
DOE - through IDOE - Supportive Effective Instruction State Grants	84.367	S367A190013	36,325
U.S. Department of the Treasury - through IDOE - American Rescue Plan Act - Coronavirus State and Local Fiscal Recovery Funds	21.027	U282A170017	65,084
Total non-major programs			<u>155,202</u>
Total federal expenditures			<u>\$ 853,784</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Excel Centers, LLC (Excel Centers) under programs of the federal government for the year ended June 30, 2023. The information in this SEFA 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). Therefore, some of the amounts presented in this SEFA may differ from amounts presented in or used in the preparation of the basic financial statements. The basic financial statement classifications may include other financial activity for reporting purposes.

Note B - Summary of Significant Accounting Policies

Expenditures reported on this SEFA 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. Excel Centers has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Sub-Recipient Pass Through

Excel Centers did not pass through any federal awards to subrecipients during 2023.

Note D - Fair Market Value of Donated Personal Protective Equipment (Unaudited)

During 2023, Excel Centers did not receive donated personal protected equipment from federal sources.

See Report of Independent Auditors on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance on page 27.

EXCEL CENTERS, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section I – Summary of Audit Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es) noted? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es) noted? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

Assistance Listing Number 84.425 - COVID-19 - CARES Act - Education Stabilization Fund

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Findings Related to Financial Statements Reported in Accordance With Government Auditing Standards:

No matters reported

Section III - Findings and Questioned Costs Relating to Federal Awards:

No matters reported

Section IV - Summary Schedule of Prior Audit Findings:

Not applicable

EXCEL CENTERS, LLC

OTHER REPORT
YEAR ENDED JUNE 30, 2023

The report presented herein was prepared in addition to another official report prepared for Excel Centers, LLC as listed below:

Supplemental Audit Report of Excel Centers, LLC

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.