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STATE OF INDIANA

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January 30, 2013

Charter School Board
The Excel Center
1635 W. Michigan St.
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, 2011 to June 30, 2012. 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 Excel Center, as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for The Excel Center 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

THE EXCEL CENTER

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JUNE 30, 2012

GREENWALT CPAs

We Deliver Peace of Mind

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The Excel Center (an Indiana public charter school) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Goodwill Education Initiatives, Inc.'s (GEI) management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources* and *Guidelines for the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Excel Center as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of The 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 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.

In accordance with *Guidelines for the Audits of Charter Schools Performed by Private Examiners* established by the Indiana State Board of Accounts, we have also issued in a separate report the Supplemental Audit Report dated January 15, 2013.

Our audit of the financial statements of The Excel Center was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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.

Greenwalt CPAs, Inc.

January 15, 2013

THE EXCEL CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	177,632
Charter school accounts receivable		2,836,689
Prepayments		101,898
Total current assets		3,116,219
PROPERTY AND EQUIPMENT		
Equipment		1,522,489
Accumulated depreciation		(319,164)
Net property and equipment		1,203,325
TOTAL ASSETS	$	4,319,544

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	435,994
Accrued liabilities		94,604
Current portion of long-term debt		88,071
Total current liabilities		618,669
LONG-TERM LIABILITIES		
Common School Fund Growth Loans		2,549,057
Total liabilities		3,167,726
COMMITMENTS AND CONTINGENCIES (NOTES 4, 7 AND 8)		
NET ASSETS		
Unrestricted		868,332
Temporarily restricted		283,486
Total net assets		1,151,818
TOTAL LIABILITIES AND NET ASSETS	$	4,319,544

THE EXCEL CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUE			
State and Federal grants	$ 5,828,302	$ -	$ 5,828,302
Other income	20,607	-	20,607
Total revenue	5,848,909	-	5,848,909
SUPPORT			
Gifts and contributions	976,029	283,486	1,259,515
Gifts in-kind	52,500		52,500
Total support	1,028,529	283,486	1,312,015
Total revenue and support	6,877,438	283,486	7,160,924
EXPENSES			
High school instruction	1,766,638	-	1,766,638
Counseling services	1,149,969	-	1,149,969
Special Education	303,543	-	303,543
Child care services	186,273	-	186,273
Staff training and development	65,440	-	65,440
Office of the Principal and administration	1,501,814	-	1,501,814
Business support services	346,828	-	346,828
Building and equipment rent	372,484	-	372,484
Building and equipment maintenance	118,573	-	118,573
Transportation	151,393	-	151,393
Food service	17,389	-	17,389
Non-capital equipment costs	60,920	-	60,920
Interest expense	61,502	-	61,502
Depreciation	269,948	-	269,948
Other expenses	48,737	-	48,737
Total expenses	6,421,451	-	6,421,451
CHANGE IN NET ASSETS	455,987	283,486	739,473
NET ASSETS, BEGINNING OF YEAR	412,345	-	412,345
NET ASSETS, END OF YEAR	$ 868,332	$ 283,486	$ 1,151,818

INCREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 739,473
Depreciation	269,948
Increase in operating assets:	
Charter school accounts receivable	(1,640,484)
Prepayments	(97,585)
Increase (decrease) in operating liabilities:	
Accounts payable	396,784
Accrued liabilities	94,604
Other long-term liabilities	(100,000)
Net cash used in operating activities	(337,260)
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(1,303,381)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from borrowings on common school loans	1,761,412
INCREASE IN CASH AND CASH EQUIVALENTS	120,771
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	56,861
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 177,632
SCHEDULE OF NON-CASH OPERATING ACTIVITIES	
In-kind business support	$ 52,500

1. Summary of Significant Accounting Policies

Description of Organizations

The Excel Center 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 adult lives. GEI operates public charter high schools (the Met and the Excel Center, 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. GEI is a wholly-owned subsidiary of Goodwill Industries of Central Indiana, Inc. (Goodwill), also an Indiana non-profit corporation.

The Excel Center operated in three locations in Indianapolis during fiscal year 2012, leasing space at Goodwill's Indianapolis headquarters building and in two other locations. In addition to leasing space, the Excel Center contracts with Goodwill for certain business support services, as further described in Note 6.

The Excel Center 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. The Excel Center commenced initial operations in September 2010 with an enrollment of 306 adults who previously dropped out of high school and are seeking their high school diplomas rather than a GED. Due to high demand for Excel Center services, it expanded to three locations in fiscal year 2012 and enrollment grew to more than 800 students. Two additional Excel Center locations were opened subsequent to the statement of financial position date of these financial statements. Combined enrollment at the five sites now exceeds 1,500 primarily adult students.

Since its inception, the Excel Center has graduated 122 students. Demographics of Excel Center students include 83% minorities and over 80% in poverty. Excel Center students range in age from 17 to over 60, with the average age of 27 and median age of 23. All students have varying degrees of academic credits and capabilities when they enroll. Excel Center students attend classes and connect with a life coach who helps them navigate the barriers that stand in the way of their educational attainment. Demand for Excel Center services continues to grow, and as a result GEI intends to open additional facilities in central Indiana in fiscal year 2014.

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 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 Excel Center uses a fiscal year that begins on July 1 and ends the following June 30.

1. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

The Excel Center 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, 2012. The Excel Center 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, 2012 and at times during the year, the Excel Center maintained cash and cash equivalents 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 six months 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 to such risk.

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. Leasehold additions and improvements are depreciated over the remaining life of the related lease. Leasehold additions and improvements are capitalized and expenditures for normal maintenance and repairs are expensed as incurred. The Excel Center does not own any real property.

Net Assets

The Excel Center maintains the following classifications of net assets:

<u>Unrestricted</u>

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

<u>Temporarily Restricted</u>

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.

Advertising

Advertising and printing expenses totaled $30,414 in 2012. The Excel Center's policy is to record advertising expenditures in the period in which they are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTIONS

Contributions are recognized when the donor makes an unconditional promise to give to the Excel Center 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.

FUNCTIONAL EXPENSES

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

Program activities:		
Classroom instruction	$	2,934,596
Student counseling		1,149,969
Special education services		303,544
Total program activities		4,388,109
Supporting activities:		
Program support	$	1,137,920
Administrative support		895,423
Total support activities		2,033,343
Total functional expense	$	6,421,451

SUBSEQUENT EVENTS

Subsequent events have been considered through January 15, 2013, which was the date the financial statements were available to be issued. See Note 9.

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 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 2008.

3. Long Term Debt

In fiscal years 2011 and 2012, the Excel Center borrowed from the Indiana Common School Fund to fund its charter school operations and costs associated with enrollment growth. Loan repayments, including interest, are deducted monthly from state public tuition receipts. The outstanding balance on the loans from the Indiana Common School Fund was $2,637,128 at June 30, 2012. In 2009, the Indiana legislature enacted a moratorium on repayments of Common School Fund loans by charter schools for two years. Accordingly, The Excel Center elected to suspend its loan and interest repayments. The 2011 Indiana legislative session extended the loan moratorium through June 30, 2013. Management is unable to determine the likelihood that the loan moratorium will be extended beyond that date. Interest on the loans continues to accrue during the moratorium. Accrued interest on the loans was $61,502 at June 30, 2012. Details of the borrowings from the Indiana Common School Fund are as follows:

Year of Issuance	*Original Borrowing*	*Interest Rate*	*Term of Loan*	*Amount Outstanding as of June 30, 2012*
2010	$ 898,170	4%	20 years	$ 875,716
2011	$1,761,412	4%	20 years	$1,761,412
Total	$2,659,582			$2,637,128

Maturities of the long-term debt are as follows for the years ending June 30:

2013	$ 88,071
2014	132,979
2015	132,979
2016	132,979
2017	132,979
Thereafter	2,017,141
	$ 2,637,128

4. Leases

The Excel Center leases space from Goodwill and from third parties. The leases are treated as operating leases and have terms that correspond to the duration of the Excel Center's charter. Aggregate rent expense for fiscal year 2012, including common area maintenance charges, totaled $348,575. Certain leases contain renewal options that allow the Excel Center, at its discretion, to extend the leases for additional terms. The Excel Center's management is unable to determine at this time whether it will exercise its lease renewal options.

4. Leases, Continued

Future minimum lease commitments are as follows for the years ending June 30:

2013	$	724,632
2014		582,397
2015		582,397
2016		582,397
2017		558,997
Thereafter		788,834
	$	3,819,654

5. Retirement Plan

Excel Center employees are employed and paid by GEI. Certain Excel Center 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. In fiscal year 2012, the Excel Center contributed $151,172 to TRF on behalf of its employees. Excel Center 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 Excel Center's expense relating to contributions to the Goodwill thrift plan for the fiscal year ended June 30, 2012 was $14,854.

6. Related Party Transactions

The Excel Center is owned and operated by GEI. GEI provides employees, certain school-specific administrative services, and general management and oversight of the Excel Center. GEI charges the Excel Center for its expenses related to the services provided. No markup is added to the fees charged to the schools. During fiscal year 2012, the Excel Center reimbursed $423,220 to GEI for administrative services.

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

6. Related Party Transactions, Continued

Goodwill also provides business support services (accounting, marketing, human resources, technology and general management) to the Excel Center. Goodwill charges a portion of these costs to the school without markup. The Excel Center paid $141,808 to Goodwill for business support services in fiscal year 2012. The non-billed portion of the support services is considered an in-kind contribution. In fiscal year 2012, the Excel Center received $52,500 from Goodwill as business support services. These in-kind transactions are treated as non-cash transactions and are excluded from the accompanying statement of cash flows.

Goodwill also pays certain operating expenses, including certain employee benefits, of the Excel Center, for which the Excel Center fully reimburses Goodwill. In fiscal year 2012, the Excel Center paid Goodwill $857,875 for these expenses.

At June 30, 2012, the Excel Center owed Goodwill $165,796 for business support services and reimbursable operating expenses, which is included in Accounts Payable on the Statement of Financial Position.

7. Future Grant Audits

Under the terms of state and federal grants awarded to the Excel Center, periodic audits are required and certain costs may be challenged as to whether they are allowable 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 Excel Center will be disallowed is remote.

8. Self-Insurance

The Excel Center 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 Excel Center related to Goodwill's health care plan were $544,063 for the fiscal year ended June 30, 2012.

9. Subsequent Events

Subsequent to June 30, 2012, GEI entered into a bank line of credit from a commercial bank. The line expires September 30, 2013, provides for maximum borrowings of $1.5 million and bears interest at the bank's commercial rate (equal to the Prime rate) less one percent (a total of 2.25% as of report date. After the line was secured, GEI borrowed $740,000 to finance startup costs, working capital and capital expenditures for the Excel Centers. The Excel Center's portion of the total amount borrowed was $560,000. 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.

9. Subsequent Events, Continued

At the start of the 2012-13 school year in July 2012, GEI expanded the Excel Center to a fourth location in Indianapolis under its previously existing charter. GEI entered into a five-year lease for the new facility. The lease obligations for the new facility are included in the future minimum lease obligations in Note 4. In addition, during the 2012 fiscal year GEI was awarded a new charter from the Indiana Charter School Board to open and operate a new Excel Center in Anderson, Indiana. The Anderson Excel Center opened in late August with an enrollment of 332 mostly adult students. GEI also commenced plans to open three additional Excel Centers, each under single charters, in July 2013 (fiscal year 2014).

THE EXCEL CENTER
SCHEULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Indiana Department of Education			
Special Education Cluster			
Special Education - Grants to States	84.027	SY 2010-12	$ 17,320
Special Education - Grants to States	84.027	SY 2011-13	42,502
Total for Special Education Cluster			59,822
Indiana Department of Education			
Charter Schools Cluster			
Federal Implementation Grant Year 1	84.282	A58-2-12SS-0233	261,393
Facilities Grant	84.282D	SY 2010-11	80,080
Facilities Grant	84.282D	SY 2011-12	249,754
Total for Charter Schools Cluster			591,227
Total for U.S. Department of Labor			651,049
U.S. DEPARTMENT OF EDUCATION			
Indianapolis Public Industry Council			
Community Based Job Training Grant	17.269	S0509-CB-10	31,109
			$ 682,158

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 Excel Center 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 consolidated financial statements.

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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*

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

We have audited the financial statements of the Excel Center as of and for the year ended June 30, 2012. 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 of America.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Excel Center is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered the Excel Center's internal control over financial reporting as a basis for designing our auditing procedures 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 Excel Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Excel Center's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Excel Center'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*.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative or regulatory bodies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greenwalt CPAs, Inc.

January 15, 2013

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Independent Auditors' Report On Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Excel Center 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 Excel Center's major federal programs for the year ended June 30, 2012. The Excel Center's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Excel Center's management. Our responsibility is to express an opinion on the Excel Center's compliance based on our audit.

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 Excel Center'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. Our audit does not provide a legal determination on the Excel Center's compliance with those requirements.

In our opinion, the Excel Center 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, 2012.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Excel Center 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 Excel Center'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 Excel Center'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative or regulatory bodies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greenwalt CPAs, Inc.

January 15, 2013

A. SUMMARY OF AUDIT RESULTS

1. Type of auditors' report issued: unqualified

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

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: Unqualified

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

7. The programs tested as a major program were the Charter Schools Cluster (84.282 and 84.282D) and Special Education - Grants to States (84.027).

8. The threshold for distinguishing between Type A and B programs was $300,000.

9. Auditee qualified as low-risk auditee? _______yes ___X___no

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None

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

Supplemental Audit Report of the Excel Center