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February 19, 2014

Charter School Board
Goodwill Education Initiatives, Inc. –
The Excel Center – Anderson
630 Nichol Avenue
Anderson, IN 46016

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Greenwalt CPAs, Inc., Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Goodwill Education Initiatives, Inc.-The Excel Center-Anderson, as of June 30, 2013, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report. Page 17 contains one current audit finding. Management's corrective action plan is on page 17.

The Financial Statements and Independent Auditors' Report is filed in our office as a matter of public record.

State Board of Accounts

GOODWILL EDUCATION INITIATIVES, INC. - THE EXCEL CENTER - ANDERSON

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JUNE 30, 2013

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 financial statements of Goodwill Education Initiatives, Inc. - The Excel Center - Anderson (an Indiana not-for-profit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statement of activities and cash flows for the year ended and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources and Guidelines of Audits of Charter Schools performed by Private Examiners* established by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Education Initiatives, Inc. - The Excel Center - Anderson, as of June 30, 2013 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014, on our consideration of Goodwill Education Initiatives, Inc. - The Excel Center – Anderson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwill Education Initiatives, Inc. - The Excel Center – Anderson's internal control over financial reporting and compliance.

Greenwalt CPAs, Inc.

January 17, 2014

GOODWILL EDUCATION INITIATIVES, INC. -
THE EXCEL CENTER - ANDERSON
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

CURRENT ASSETS		
Cash	$	287,699
Accounts receivable		415,129
Prepayments		38,984
Total current assets		741,812
PROPERTY AND EQUIPMENT		
Equipment		432,178
Leasehold improvements		322,594
Accumulated depreciation		(147,131)
Net property and equipment		607,641
TOTAL ASSETS	$	1,349,453

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Bank line of credit	$	75,000
Accounts payable		67,765
Accounts payable for leasehold improvements		315,964
Accrued liabilities		7,720
Total liabilities		466,449
COMMITMENTS AND CONTINGENCIES (NOTES 4, 7, 8 AND 9)		
NET ASSETS		883,004
TOTAL LIABILITIES AND NET ASSETS	$	1,349,453

GOODWILL EDUCATION INITIATIVES, INC. -
THE EXCEL CENTER - ANDERSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

REVENUE	
State and Federal grants	$ 2,924,326
Other income	1,453
Total revenue	2,925,779
SUPPORT	
Gifts and contributions	211,800
Gifts in-kind	63,860
Total support	275,660
Total revenue and support	3,201,439
EXPENSES	
High school instruction	553,549
Counseling services	431,396
Special education	100,178
Child care services	75,068
Staff training and development	11,326
Office of the Principal and administration	583,143
Business support services	71,404
Building and equipment rent	132,488
Building and equipment maintenance	119,506
Transportation	9,840
Non-capital equipment	22,189
Interest expense	3,083
Depreciation	147,131
Other expenses	58,134
Total expenses	2,318,435
CHANGE IN NET ASSETS	883,004
NET ASSETS, BEGINNING OF YEAR	-
NET ASSETS, END OF YEAR	$ 883,004

GOODWILL EDUCATION INITIATIVES, INC. -
THE EXCEL CENTER - ANDERSON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

INCREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 883,004
Depreciation	147,131
Decrease (Increase) in operating assets:	
Accounts receivable	(415,129)
Prepayments	(38,984)
Increase (decrease) in operating liabilities:	
Accounts payable	67,765
Accrued liabilities	7,719
Net cash provided by in operating activities	651,506
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(438,807)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from bank line of credit	75,000
INCREASE IN CASH AND CASH EQUIVALENTS	287,699
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 287,699
SCHEDULE OF NON-CASH OPERATING ACTIVITIES	
In-kind business support	$ 63,860
SCHEDULE OF NON-CASH INVESTING ACTIVITIES	
Property and equipment purchases in accounts payable	$ 315,964

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

Goodwill Education Initiatives, Inc. - The Excel Center - Anderson (AEC) is an Indiana public charter high school operating under the ownership and control of Goodwill Education Initiatives, Inc. (GEI). GEI, an Indiana non-profit corporation, provides educational opportunities designed to enable young people and adults to prepare for productive lives. GEI operates public charter high schools (AEC, Indianapolis Metropolitan High School and the Excel Centers, 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. AEC operates under a five-year charter issued in 2012 by the Indiana Charter School Board. GEI is a wholly-owned and controlled subsidiary of Goodwill Industries of Central Indiana, Inc. (Goodwill), also an Indiana non-profit corporation.

AEC contracts with Goodwill for certain business support services, as further described in Note 5. For the year ended June 30, 2013, Goodwill provided $63,860 of in-kind business support services to AEC.

The schools receive the majority of their funding from the Indiana Department of Education. Their revenues are supplemented with funds from the United States Department of Education, private grants, and gifts. AEC completed its first year of operation on June 30, 2013. Student enrollment for the most recently completed school year was 332 students.

AEC primarily serves adults in Anderson, Indiana who previously dropped out of high school. Demographics of AEC students include 84% minorities and over 80% in poverty, defined as being eligible for free or reduced lunch. The majority of incoming students arrive at AEC two or more grade levels behind in reading and math skills, and 25% have special needs. AEC students connect with a life coach who helps them navigate the barriers that stand in the way of their educational attainment. Since inception, AEC has graduated 50 students with 40 of those students having received some form of post-secondary education or training prior to graduation. AEC's objectives include sustaining a graduation rate of 75% and having 75% of its graduates go on to college or employment that leads to a career and improved economic self-sufficiency.

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

CASH

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

1. Summary of Significant Accounting Policies, (Continued)

Accounts Receivable

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

Accounts receivable are stated at the amount determined by public statute or by the underlying private funding agreements. Generally, there is not significant risk of loss of these amounts due since they are statutorily determined and obligated. However, there is some risk that public funding from the State of Indiana could be reduced from amounts previously determined during periods of prolonged economic downturn. Management is unable to determine the likelihood of reduced funding, and has not recorded a reserve related thereto.

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. AEC does not own any real property.

Net Assets

AEC maintains the following classification of net assets:

Unrestricted

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

Contributions

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

Advertising

Advertising and printing expenses totaled $16,703 in fiscal year 2013. AEC's policy is to record advertising expenditures in the period in which they are incurred.

1. Summary of Significant Accounting Policies, (Continued)

Functional Expense

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

Program activities:		
Classroom instruction	$	951,594
Student counseling		431,396
Special education services		100,178
Total program activities		1,483,166
Supporting activities:		
Program support	$	377,484
Administrative support		457,786
Total support activities		835,270
Total functional expense	$	2,318,435

Subsequent Events

Subsequent events have been considered through January 17, 2014, which was the date the financial statements were available to be issued. See Note 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's tax-exempt purposes, such income would be subject to taxation as unrelated business income. GEI is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

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

3. Leases

AEC leases space for operations from a third party. The lease term is five years, expires in July 2017, and is renewable for an additional five-year term at AEC's option. AEC's management is unable to determine at this time whether it will exercise its lease renewal options. AEC invested approximately $313,000 in 2012 to fund tenant improvements at the leased facility, and is deducting a portion of the leasehold improvement costs from monthly rent payments over the life of the lease. Rent expense under this lease in fiscal year 2013 was $130,203. Future remaining lease obligations are as follows:

2014	$	149,680
2015		147,180
2016		133,430
2017		132,180
2018		11,015
	$	573,485

4. Retirement Plan

AEC employees are employed and paid by GEI. Certain AEC employees (licensed teachers, counselors and certain administrative staff) are eligible to participate in the Indiana Teachers Retirement Fund (TRF). By statute, employers are required to contribute 7.5% of an employee's pretax gross income to TRF. Employers may also elect to contribute an additional 3% in lieu of the employee's own contributions. GEI has elected to make the voluntary contribution on behalf of its eligible employees, including employees of AEC. In fiscal year 2013, AEC contributed $50,695 to TRF on behalf of its employees. AEC 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. AEC's expense relating to contributions to the Goodwill thrift plan for fiscal year 2013 was $4,153.

5. Related Party Transactions

AEC is owned and operated by GEI. GEI provides employees, certain school-specific administrative services, and general management and oversight of AEC. GEI charges AEC for its expenses related to the services provided. No markup is added to the fees charged to AEC. During fiscal year 2013, AEC reimbursed $205,660 to GEI for administrative services.

From time to time, Goodwill provides interest-free loans and cash subsidies directly to AEC. At June 30, 2013, AEC had no borrowings from Goodwill. During fiscal year 2013, Goodwill provided cash subsidies to AEC totaling $87,500. The subsidies are recorded as Gifts and Contributions revenue on the Statement of Activities.

5. Related Party Transactions, (Continued)

Goodwill also provides business support services (accounting, marketing, human resources, facilities, technology and general management) to AEC. Goodwill charges a portion of these costs to the schools without markup. AEC paid $60,000 to Goodwill for business support services in fiscal year 2013. The non-billed portion of the support services is considered an in-kind contribution and is recorded as revenue in the Statement of Activities. In fiscal year 2013, Goodwill provided $63,860 of in-kind business services. These in-kind transactions are treated as non-cash transactions and are excluded from the accompanying statements of cash flows.

Goodwill also pays certain operating expenses, including certain employee benefits, of AEC, for which AEC fully reimburses Goodwill. No markup is charged. In fiscal year 2013, AEC paid Goodwill $232,644 for these expenses.

At June 30, 2013, AEC owed Goodwill $15,267 for business support services and reimbursable operating expenses and $315,964 for leasehold improvements, which is included in Accounts Payable on the Statement of Financial Position. In addition, AEC owed GEI $52,498 for expenses incurred.

6. Future Grant Audits

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

7. Self-Insurance

AEC 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 AEC related to Goodwill's health care plan were $200,606 for the fiscal year ended June 30, 2013.

8. Line of Credit

Subsequent to June 30, 2013, GEI renegotiated its existing bank line of credit. The new line expires September 30, 2015, provides for maximum borrowings of $2.5 million. At June 30, 2013 the interest rate on the line of credit was at the bank's commercial rate (prime) less 1.00% (2.25%). During January 2014, the agreement was further amended and the line of credit now bears interest at the one-month LIBOR rate plus 1.75% (1.92% at January 17, 2014). At June 30, 2013, GEI owed $425,000 on its line of credit, of which $75,000 was incurred on behalf of AEC. As of August 22, 2013, GEI's borrowing on the line of credit increased to $840,000 and $0 was incurred on behalf of AEC. 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

Subsequent to June 30, 2013, GEI opened four additional Excel Center locations in Central Indiana, creating a total of nine Excel Centers. This growth brings the total number of students served in Excel Centers to nearly 3,000.

Effective July 1, 2013, the State of Indiana legislated that charter schools primarily serving adults, like AEC and GEI's other Excel Centers, shall be funded from a Special Appropriation in the biennial Indiana state budget. This legislative change provides adequate funding for GEI's nine Excel Centers for fiscal years 2014 and 2015. The change does not currently allow additional growth beyond GEI's nine Excel Centers. GEI's management intends to participate actively with legislators and other interested parties to ensure adequate funding will be provided to sustain the existing Excel Centers and fund additional growth in the next biennial legislative session. Management cannot predict the outcome of such efforts.

GOODWILL EDUCATION INITIATIVES, INC. -
THE EXCEL CENTER - ANDERSON
SCHEULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Indiana Department of Education			
Special Education Cluster			
Special Education - Grants to States	84.027	SY 2012 - 2014	$ 45,621
Indiana Department of Education			
Charter Schools Program			
Federal Planning Grant	84.282	A58-2-12SS-0933	116,000
Federal Implementation Grant Year 1	84.282	A58-3-13SS-1625	290,000
Facilities Grant	84.282D	SY 2012 - 2013	128,770
Total for Charter Schools Program			534,770
Total for U.S. Department of Education			580,391
U.S. DEPARTMENT OF LABOR			
Indianapolis Public Industry Council			
Community Based Job Training Grant	17.269	S0509-CB-10	123,500
			$ 703,891

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 Goodwill Education Initiatives, Inc. - The Excel Center - Anderson and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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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*

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Goodwill Education Initiatives, Inc. - The Excel Center - Anderson (AEC), which comprise the statement of financial position as of June 30, 2013, and the related statement of activities and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AEC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AEC's internal control. Accordingly, we do not express an opinion on the effectiveness of AEC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as finding 2013-01 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The Excel Center – Anderson's Response to Findings

AEC's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. AEC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greenwalt CPAs, Inc.

January 17, 2014

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Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Goodwill Education Initiatives, Inc. - The Excel Center – Anderson's (AEC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the AEC's major federal program for the year ended June 30, 2013. AEC's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of AEC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 AEC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the AEC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 effectiveness of AEC's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Greenwalt CPAs, Inc.

January 17, 2014

A. SUMMARY OF AUDIT RESULTS

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified?	_______yes	___X___no
Significant deficiency(ies) identified?	___X___yes	___ ___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: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _______yes ___X___no

7. Identification of major program:

CFDA Number	Name of Federal Program or Cluster
	Charter Schools Program:
84.282	Federal Planning Grant
84.282	Federal Implementation Grant Year 1
84.282D	Facilities Grant

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

SIGNIFICANT DEFICIENCY

2013-01

Condition: The Schedule of Expenditures of Federal Awards (SEFA) which was prepared by the client did not include the U.S. Department of Labor Community Based Job Training grant CFDA #17.269.

Criteria: All grant documents should be reviewed to determine if they have derived from a federal source and require inclusion within the Schedule of Expenditures of Federal Awards.

Cause: The initial SEFA provided by The Excel Center - Anderson was incomplete.

Effect: A new SEFA was provided by management which included all programs subject to OMB Circular A-133.

Recommendation: We recommend that management review all grant documents to determine if the funding is derived from a federal source.

View of Responsible Officials: As noted above, the oversight involving one grant inadvertently omitted from the original SEFA was corrected and procedures have been established to update the SEFA upon the recognition of any new or renewed Federal grant. Management does not expect this type of omission to recur.

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

None