



STATE OF INDIANA
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December 28, 2016

Charter School Board
The Excel Center
2721 Kenwood Ave
South Bend, IN 46628

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Krugall Lawton CPAs, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. 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, 2016, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner



GOODWILL LEADS, INC. – THE EXCEL CENTER
ANNUAL REPORT
JUNE 30, 2016



Elkhart, Indiana

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

ANNUAL REPORT

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Goodwill LEADS, Inc. (The Excel Center)
South Bend, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Goodwill LEADS, Inc. (The Excel Center), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

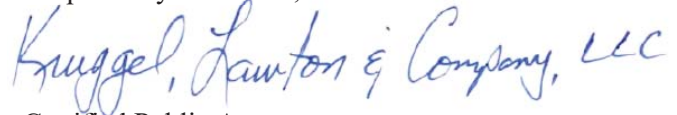
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 LEADS, Inc. (The Excel Center) as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruggel, Lawton & Company, LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Elkhart, Indiana
October 18, 2016

GOODWILL LEADS, INC. (THE EXCEL CENTER)South Bend, Indiana

STATEMENT OF FINANCIAL POSITIONJune 30, 2016

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	89,329
Accounts receivable	2,509
Accounts receivable - related party, net	2,219
Grants receivable	9,290
Prepaid expenses	11,779

Total Current Assets	115,126
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PROPERTY AND EQUIPMENT

Leasehold improvements	1,324,254
Office furniture and equipment	303,788
Computers and software	251,188

Total	1,879,230
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Accumulated depreciation	(207,569)
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Net Property and Equipment	1,671,661
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OTHER ASSETS

Deposit	7,360
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Total Other Assets	7,360
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TOTAL ASSETS	1,794,147
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LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Line of credit	225,000
Current portion of long-term debt	126,843
Accounts payable	56,075
Accrued payroll, benefits, and related taxes	50,752
Accrued property taxes	53,598

Total Current Liabilities	512,268
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OTHER LIABILITIES

Long-term debt	828,734
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Total Other Liabilities	828,734
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TOTAL LIABILITIES	1,341,002
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NET ASSETS

Unrestricted	137,252
Temporarily restricted	315,893

TOTAL NET ASSETS	453,145
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TOTAL LIABILITIES AND NET ASSETS	1,794,147
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The Notes to Financial Statements are an integral part of this statement.

GOODWILL LEADS, INC. (THE EXCEL CENTER)South Bend, Indiana

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Federal Grants	29,412	0	29,412
Non-federal grants	4,497	0	4,497
State education support	1,702,800	0	1,702,800
Contributions	121,917	55,000	176,917
Contributions - other	0	304,455	304,455
In-kind donations	51,851	0	51,851
Other income	62	0	62
Total Revenue	1,910,539	359,455	2,269,994
Net assets released from restrictions:			
Satisfaction of restrictions	43,562	(43,562)	0
EXPENSES			
Advertising expense	51,137	0	51,137
Technology expenses	26,780	0	26,780
Classroom supplies	13,275	0	13,275
Dues and subscriptions	3,752	0	3,752
Employee benefits	164,043	0	164,043
Equipment expenses	13,902	0	13,902
Salaries and wages	796,441	0	796,441
Licensing fees	269,068	0	269,068
Meals	5,300	0	5,300
Insurance	18,750	0	18,750
Interest expense	44,153	0	44,153
Office supplies	39,109	0	39,109
Miscellaneous	15,234	0	15,234
Payroll taxes	54,942	0	54,942
Professional fees	15,887	0	15,887
Property taxes	53,598	0	53,598
Utilities	26,388	0	26,388
Student transportation	29,542	0	29,542
Rent	41,061	0	41,061
Repairs and maintenance	30,214	0	30,214
Depreciation	207,517	0	207,517
Security expense	13,775	0	13,775
Total Expenses	1,933,868	0	1,933,868
INCREASE IN NET ASSETS	20,233	315,893	336,126
NET ASSETS, BEGINNING OF YEAR	117,019	0	117,019
NET ASSETS, END OF YEAR	137,252	315,893	453,145

The Notes to Financial Statements are an integral part of this statement.

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	336,126
Adjustments to reconcile net increase in net assets to net cash from operating activities:	
Depreciation	207,517
Non-cash contribution	(304,455)
Non-cash interest expense	40,667
Adjustments for changes in operating assets and liabilities:	
Accounts receivable	(2,509)
Grants receivable	(9,290)
Accounts receivable - related party, net	(2,219)
Prepaid expenses	(8,411)
Deposit	(7,360)
Accounts payable	54,181
Accounts payable - related party	(21,046)
Accrued payroll, benefits, and related taxes	50,089
Accrued property taxes	53,598
Net Cash Flows from Operating Activities	386,888

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(1,877,336)
Net Cash Flows from Investing Activities	(1,877,336)

CASH FLOWS FROM FINANCING ACTIVITIES

Net change in line of credit	225,000
Proceeds from issuance of long-term debt	1,281,365
Payments on long term debt	(62,000)
Net Cash Flows from Financing Activities	1,444,365

DECREASE IN CASH AND CASH EQUIVALENTS (46,083)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 135,412

CASH AND CASH EQUIVALENTS AT END OF YEAR **89,329**

The Notes to Financial Statements are an integral part of this statement.

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NATURE OF BUSINESS

Goodwill LEADS, Inc. (The Excel Center) (the "Organization"), is a public charter high school in South Bend, Indiana, operating under the control of Goodwill Industries of Michiana, Inc. Through government grants and private financial support from individuals, foundations, and corporations, the purpose of the Organization is to provide educational opportunities designed to enable young people and adults to prepare for productive adult lives. The Organization was incorporated in July 2014 and classes commenced in September 2015.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets also include cumulative appreciation and reinvested gains on permanently restricted net assets, which have been restricted by donors but have not been appropriated by management of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

USE OF ESTIMATES

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Financial Position, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at a local bank and is insured up to the limits of the FDIC. It is common throughout the course of operations for the Organization's cash balance to exceed the insured limit.

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances and is presented net of allowance for doubtful accounts. Management has determined that no allowance is necessary at June 30, 2016. Factors considered in determining the collectibility include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. Differences between the amount due and the amount management expects to collect are reported as a charge to earnings in the year in which those differences are determined, with an offsetting entry to the allowance for doubtful accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Interest is not typically charged on past due accounts.

GRANTS RECEIVABLE

Support received under governmental grants is recorded based on expenses incurred or based on a fixed rate. Grants receivable represent amounts due for expenses incurred prior to year end and are considered fully collectible by management.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as unrestricted support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expenses was \$207,517 for the year ended June 30, 2016.

A summary of the range of lives by asset category follows:

Leasehold improvements	10 years
Office, furniture and equipment	5 years
Computers and software	3 years

DONATED SERVICES AND MATERIALS

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605 states that in order to recognize donated services as contributions in the Organization's financial statements the services must require specialized skills, be provided by individuals who possess those skills, and typically need to be purchased if not contributed.

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Material gift-in-kind items used in the Organization's programs and donated goods distributed are recorded as income and expense at the time the items are received, which is normally also the time they are placed into service or distributed. Donated services and materials are recorded in the Statement of Activities as In-kind donation revenue for the year ended June 30, 2016.

Donated services and materials are as follows for the fiscal year ended June 30, 2016:

Services provided by a related party	44,976
Materials and supplies	6,875
Total	51,851

CONTRIBUTIONS

The Organization records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions are met in the year in which the contributions are received.

ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs were \$51,137 for the year ended June 30, 2016.

FUNCTIONAL ALLOCATION OF EXPENSES

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

Program activities:	
Classroom instruction	425,536
Student counseling	209,074
Special education services	49,073
Other program activities	540,725
Total program activities	1,224,408
Supporting services:	
Program support	70,382
Administrative support	632,266
Total supporting services	702,648
Fundraising	6,812
Total functional expenses	1,933,868

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a).

The Income Taxes Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. ASC 740 requires an organization to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The Organization recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2014 and 2015 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

NOTE 2 - LINE OF CREDIT

On November 25, 2015, the Organization entered into a line of credit agreement with Goodwill Industries of Michiana, Inc., a related party. Maximum borrowings on the line of credit shall not exceed \$433,000. Interest is not charged on the line of credit. The balance outstanding on the line of credit is \$225,000 at June 30, 2016. The line of credit is provided by Goodwill Industries of Michiana, Inc. as a means of assisting the Organization in achieving educational objectives. In accordance with accounting principles governing programmatic investments, the Organization has imputed interest at a rate of 2.75% resulting in the recognition of contribution income and interest expense in the amount of \$3,486 for the year ended June 30, 2016.

NOTE 3 - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2016:

An unsecured term note payable to Goodwill Industries of Michiana, Inc. in the original amount of \$1,281,365, requiring interest free monthly payments in the amount of \$10,000 from July 2016 through December 2016, and payments of \$11,612 including interest at 0.5%, thereafter through June 2025.	955,577
Current portion	126,843
Net long-term debt	828,734

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Long-term debt, less current portion, is scheduled to mature as follows for the years ending June 30:

2018	134,188
2019	134,860
2020	135,536
2021	136,215
2022	136,898
Thereafter	414,825
<hr/> Total	<hr/> 1,092,522
Present value as adjusted for programmatic investment	263,788
<hr/> Net long-term debt	<hr/> 828,734

Goodwill Industries of Michiana, Inc. has extended an interest free line of credit and below market interest rate long-term debt to the Organization to assist with operating costs, capital asset acquisitions, and other necessary expenditures. Because the purpose of the Organization is to further the tax exempt objectives of Goodwill Industries of Michiana, Inc. and because income production is not a significant purpose of the Organization, the below market rate loans are deemed to be programmatic investments. As such, long-term debt is reported at the present value of the loan instead of the stated loan amount. The difference of \$304,455 is recorded as a contribution in the initial year of the loan and is amortized over the life of the loan. A reconciliation of the present value of long-term debt as reported to the future maturity schedule is shown above.

In accordance with accounting principles governing programmatic investments, the Organization has imputed interest at a rate of 2.75% resulting in the recognition of contribution income and interest expense in the amount of \$40,667 for the year ended June 30, 2016.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Lobby improvements at the Excel Center	52,105
Contribution related to programmatic investment by related party	263,788
<hr/> Total	<hr/> 315,893

NOTE 5 - RETIREMENT PLAN

The Organization maintains a section 403(b) retirement plan for its non-certified employees. The plan provides for individual custodial accounts for participating employees with varied investment options. The Organization made contributions to this plan in the amount of 3% of wages for full time employees during the year as defined by the plan document, and also matched employee contributions up to an additional 2%. Retirement expense under the 403(b) plan was \$2,424 for the year ended June 30, 2016.

The Organization's certified employees are covered by the Indiana Teacher Retirement Fund (TRF). Employees are eligible as of their hire date. By statute, employers are required to contribute 7.5% of an employee's pre-tax gross income to TRF. Employers may also elect to contribute an additional 3% in lieu of the employee's own contributions. The Organization made contributions of 10.5% of employee gross wages to the fund during the year. Retirement expenses for employees covered by TRF was \$26,685 for the year ended June 30, 2016.

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6 -CONCENTRATIONS

The Organization receives a substantial amount of its support from federal and state governments. Any significant reduction in the level of this support could have a significant effect on the Organization's programs.

The Organization is located in North Central Indiana. Accordingly, economic conditions in that area may affect its operations.

NOTE 7 - LEASE COMMITMENTS

In July 2015, the Organization entered into a 60 month lease for a building in South Bend, Indiana. The monthly lease payment was originally \$3,680, but increased to \$4,140 approximately halfway through the initial lease year. The lease calls for an increase of 0.5% in year two, and an annual increase of 1% thereafter. The lease includes a renewal option for an additional 60 months after the original 5 year plan expires. If renewed, the lease payment will not exceed 5% of the current agreement. Increases for the next five years would be equivalent to the first five years. In addition to the monthly lease payment, the lease requires the Organization to pay real estate taxes, utilities, insurance and maintenance at a rate of \$1,710 per month.

The future minimum lease payments under the lease are as follows:

2017	49,928
2018	50,428
2019	50,932
2020	51,441
Total future minimum lease payments	202,729

NOTE 8 - COMMITMENTS

The Organization has entered into a licensing and services agreement with Goodwill Education Initiatives, Inc., an initiative of the Indiana Network of Independent Schools, an unrelated party. The agreement provides for the Organization's use of Goodwill Education Initiatives, Inc.'s intellectual property and services for a term of five years, plus subsequent one year terms unless the agreement is terminated in writing no later than 90 days prior to the expiration of the active term. Services include new school planning assistance, start-up year and later year assistance, and technology services. The Organization was obligated to pay start-up fees totaling \$50,000 in two installments including \$25,000 payable within 30 days of obtaining the Organization's charter and \$25,000 payable within 30 days of the first day of school. In addition, in year one, the Organization must pay 14.5% of the education revenue received through state and local government funding sources. In years two through five of operations, the fee is the lesser of 14.5% of education revenue or \$320,000 per school site operated. Payment is due no later than 30 days from receipt of the education revenue. The Organization paid Goodwill Education Initiatives, Inc. \$269,068 relative to this agreement during the year ended June 30, 2016.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Organization is controlled by Goodwill Industries of Michiana, Inc. Goodwill Industries of Michiana, Inc. provides employees, certain school-specific administrative services, and general management and oversight of the Organization.

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Goodwill Industries of Michiana, Inc. also provides interest-free or below market rate interest loans and cash subsidies to the Organization. See Notes 3 and 4. During the fiscal year ended June 30, 2016, Goodwill Industries of Michiana, Inc. provided cash subsidies of approximately \$100,000 to the Organization. The subsidies are recorded in Contributions on the Statement of Activities.

Goodwill Industries of Michiana, Inc. provides contributed goods and services to the Organization. See Note 1 regarding donated services and materials.

The Organization has net accounts receivable of \$2,219 from Goodwill Industries of Michiana, Inc., of which \$17,000 of gross accounts receivable is shown net of \$15,481 of accounts payable to Goodwill Industries of Michiana, Inc.

NOTE 10 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 18, 2016, the date the financial statements were available to be issued. On October 14, 2016 the Organization was notified by the Indiana Department of Education that it was approved to receive a grant of \$440,000 to support eligible costs of the public charter school. The Organization is a subrecipient of the grant which originates from the U.S. Department of Education. The grant start date is retroactive to November 25, 2014 and includes the period through October 31, 2016. The Organization has incurred expenses of \$409,631 through June 30, 2016 applicable to this grant.