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January 15, 2021


Charter School Board
Excel Centers, LLC
1635 W. Michigan St.
Indianapolis, IN 46222

We have reviewed the audit report of Excel Centers, LLC which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Excel Centers, LLC as of June 30, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

The 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, CPA
State Examiner



FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2020 AND 2019

CPAs / ADVISORS



EXCEL CENTERS, LLC

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JUNE 30, 2020 AND 2019

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

We have audited the accompanying financial statements of Excel Centers, LLC (Excel Centers), a wholly-owned subsidiary of Goodwill Education Initiatives, Inc., a nonprofit organization, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued 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 from 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.

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Excel Centers as of June 30, 2020, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2019, Excel Centers adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Excel Centers as of June 30, 2019, were audited by other auditors whose report dated December 31, 2019, expressed an unmodified opinion on those financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as mentioned within the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as mentioned within the table of contents, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is also 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 December 16, 2020, on our consideration of Excel Centers' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Excel Centers' internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
December 16, 2020

EXCEL CENTERS, LLCSTATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash	\$ 7,291,433	\$ 4,686,241
Support receivables	276,410	376,006
Related party receivable	425,000	600,000
Prepaid expenses	104,448	150,767
Total current assets	<u>8,097,291</u>	<u>5,813,014</u>
Investments	2,289,074	2,141,377
Property and equipment, net	5,591,548	5,356,424
Total assets	<u>\$ 15,977,913</u>	<u>\$ 13,310,815</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 321,136	\$ 526,790
Accrued expenses	771,114	464,026
Total liabilities	<u>1,092,250</u>	<u>990,816</u>
Net assets		
Without donor restrictions		
Undesignated	14,655,663	12,109,999
Board-designated	230,000	210,000
Total net assets	<u>14,885,663</u>	<u>12,319,999</u>
Total liabilities and net assets	<u>\$ 15,977,913</u>	<u>\$ 13,310,815</u>

See accompanying notes to the financial statements.

EXCEL CENTERS, LLCSTATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Revenues and support		
State support	\$ 28,956,875	\$ 26,873,748
Federal support	1,182,937	985,297
Contributions	157,967	124,375
Other	242,943	77,689
Investment return, net	154,089	146,605
Total revenues and support	30,694,811	28,207,714
Expenses		
Wages and benefits	15,723,171	14,923,812
Professional fees	7,068,810	6,684,120
Supplies and materials	477,350	520,273
Student transportation	154,600	161,406
Drop-in center	35,669	30,974
Rent	1,894,864	1,903,219
Occupancy	1,080,574	1,281,547
Depreciation	1,311,836	1,131,336
Other	382,273	342,514
Total expenses	28,129,147	26,979,201
Change in net assets without donor restrictions	2,565,664	1,228,513
Net assets		
Beginning of year	12,319,999	11,091,486
End of year	<u>\$ 14,885,663</u>	<u>\$ 12,319,999</u>

See accompanying notes to the financial statements.

EXCEL CENTERS, LLC

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020		
	Education Services	Management and General	Total Expenses
Wages and benefits	\$ 13,200,091	\$ 2,523,080	\$ 15,723,171
Professional fees	857,417	6,211,393	7,068,810
Supplies and materials	346,077	131,273	477,350
Student transportation	154,600	-0-	154,600
Drop-in center	35,669	-0-	35,669
Rent	1,894,864	-0-	1,894,864
Occupancy	-0-	1,080,574	1,080,574
Depreciation	1,311,836	-0-	1,311,836
Other	248,522	133,751	382,273
	<u>\$ 18,049,076</u>	<u>\$ 10,080,071</u>	<u>\$ 28,129,147</u>
	2019		
	Education Services	Management and General	Total Expenses
Wages and benefits	\$ 12,471,540	\$ 2,452,272	\$ 14,923,812
Professional fees	687,276	5,996,844	6,684,120
Supplies and materials	333,461	186,812	520,273
Student transportation	161,406	-0-	161,406
Drop-in center	30,974	-0-	30,974
Rent	1,903,219	-0-	1,903,219
Occupancy	-0-	1,281,547	1,281,547
Depreciation	1,131,336	-0-	1,131,336
Other	151,478	191,036	342,514
	<u>\$ 16,870,690</u>	<u>\$ 10,108,511</u>	<u>\$ 26,979,201</u>

See accompanying notes to the financial statements.

EXCEL CENTERS, LLCSTATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
	<u> </u>	<u> </u>
Operating activities		
Change in net assets	\$ 2,565,664	\$ 1,228,513
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,311,836	1,131,336
Loss on disposal of property and equipment	13,494	-0-
Unrealized gain on investments	(69,616)	(67,040)
Changes in operating assets and liabilities		
Support receivables	99,596	(6,495)
Related party receivable	175,000	(600,000)
Prepaid expenses	46,319	66,237
Accounts payable and accrued expenses	(205,654)	206,794
Accrued salaries, wages and other liabilities	307,088	73,981
	<u>4,243,727</u>	<u>2,033,326</u>
Net cash flows from operating activities		
	4,243,727	2,033,326
Investing activities		
Purchases of property and equipment	(1,560,454)	(2,672,290)
Purchases of investments	(78,081)	(86,299)
	<u>(1,638,535)</u>	<u>(2,758,589)</u>
Net cash flows from investing activities		
	(1,638,535)	(2,758,589)
Change in cash	2,605,192	(725,263)
Cash		
Beginning of year	4,686,241	5,411,504
End of year	<u>\$ 7,291,433</u>	<u>\$ 4,686,241</u>

See accompanying notes to the financial statements.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Excel Centers operated in fifteen locations throughout Indiana during 2020, leasing space at Goodwill’s Indianapolis headquarters building and in fourteen other locations. In the Schedules of Financial Position – by School Level and Schedules of Activities and Changes in Net Assets – by School Level, each column represents one location with the exception that Excel Center for Adult Learners consists of accounts of four locations. GEI provides business support services, as further described in Note 6, to all Excel Centers’ locations. Excel Centers receives the majority of its funding from the Indiana Department of Education. Its revenues are supplemented with funds from the United States Department of Education, private grants, and gifts. Excel Centers commenced initial operations in September 2010 with an enrollment of 306 adults who previously dropped out of high school and were seeking their high school diplomas rather than a GED. Due to high demand for Excel Centers services, enrollment has grown to more than 4,200 students.

Since its inception, Excel Centers has graduated 5,593 students. Demographics of Excel Centers’ students include approximately 55% minorities, and over 79% in poverty, defined as being eligible for free or reduced lunch. Excel Centers’ students range in age from 16 to 77, with the average age of 28 and median age of 23. All students have varying degrees of academic credits and capabilities when they enroll, with most needing significant remediation. Excel Centers’ students connect with a life coach who helps them navigate the barriers that stand in the way of their educational attainment. During 2020, Excel Centers reported the following September and February enrollments:

School	Corp #	Enrollment Budget	September 2019	February 2020
The Excel Center - Anderson	9750	285	299	313
The Excel Center - Bloomington	8655	165	122	124
The Excel Center - Clarksville	9050	290	316	339
The Excel Center - Kokomo	9355	340	348	363
The Excel Center - Lafayette	9345	320	339	329
Excel Centers for Adult Learners	9910	1,215	1,228	1,240
The Excel Center - Muncie	9160	255	258	259
The Excel Center - Noblesville	9855	185	200	185
The Excel Center - Richmond	9305	270	252	249
The Excel Center - Shelbyville	9995	150	155	167
The Excel Center - University Heights	9840	385	398	393
The Excel Center - West	9335	340	354	338
		<u>4,200</u>	<u>4,269</u>	<u>4,299</u>

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

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

Investments

Investments consist of corporate bonds and fixed income securities recorded at fair value.

Support Receivables

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

Support receivables are recognized at the net amount Excel Centers expects to collect based on established collection history. Excel Centers recognizes a separate allowance only when it determines there has been an unforeseeable change in the organization's ability to pay subsequent to the delivery of goods and services resulting in an impairment loss. Such account balances are charged off against the allowance after all means of collection have been exhausted and the potential recovery is considered remote. Excel Centers did not record an allowance for doubtful accounts as of June 30, 2020 and 2019.

Related Party Receivable

Related party receivable represents an amount due from Indianapolis Met for cash advances provided to maintain minimum cash balances. Indianapolis Met owed Excel Centers \$425,000 and \$600,000 at June 30, 2020 and 2019, respectively, included in related party receivable in the statements of financial position.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Prepaid Expenses

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

Property, Equipment and Depreciation

Property and equipment are recorded at cost, or if donated, at fair market value at date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance repairs and minor renewals are expenses as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from 3-10 years, and is computed on using the straight-line method. Depreciation expense was approximately \$1,312,000 and \$1,131,000 for 2020 and 2019, respectively.

Net Assets

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

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

Board-Designated Net Assets

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

	2020	2019
The Excel Center - Anderson	\$ 30,000	\$ 30,000
The Excel Center - Kokomo	30,000	30,000
The Excel Center - Lafayette	30,000	30,000
The Excel Center - Noblesville	30,000	30,000
The Excel Center - Richmond	30,000	30,000
The Excel Center - Shelbyville	30,000	30,000
The Excel Center - Clarksville	30,000	20,000
The Excel Center - Muncie	20,000	10,000
	<u>\$ 230,000</u>	<u>\$ 210,000</u>

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

State and Federal Support

Excel Centers' revenue is primarily derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by Excel Centers as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Amounts received are recognized as revenue when Excel Centers has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were no refundable advances as of June 30, 2020 and 2019. Amounts due after incurring qualifying expenditures are reported as support receivables in the statements of financial position. Support receivables were approximately \$276,000 and \$376,000 as of June 30, 2020 and 2019.

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

Excel Centers derives a significant portion of its revenues and support from state and federal funding programs (approximately 98% and 99% in 2020 and 2019, respectively). The receipt of future revenues by Excel Centers is subject to among other factors, state and federal policies affecting education, economic conditions, and other conditions which are impossible to predict.

Contributions

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

Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due unless the contribution is clearly intended to support activities of the current year or is received with restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. Excel Centers also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Advertising

Excel Centers uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising expense totaled approximately \$296,000 and \$193,000 during 2020 and 2019, respectively, and is included within professional fees expenses within the statements of activities and changes in net assets.

Functional Allocation of Expenses

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

Income Taxes

Excel Centers is a wholly owned LLC of GEI, and as a result, the Internal Revenue Service disregards Excel Centers as a separate taxable entity and considers Excel Centers as part of GEI for tax reporting purposes. GEI is an Indiana non-profit corporation and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. However, if income was generated from certain activities not directly related to GEI's tax-exempt purposes, such income would be subject to taxation as unrelated business income. GEI is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Excel Centers and recognize a tax liability if Excel Centers has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Excel Centers, and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. GEI is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

GEI filed its federal and state income tax returns for periods through June 30, 2019. The income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Reclassification

Certain 2019 amounts in the financial statements have been reclassified to conform to the 2020 presentation. Any reclassifications had no impact on previously reported net assets or change in net assets.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about Excel Centers' ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued. Management's evaluation as of June 30, 2020 identified no conditions or events raising substantial doubt.

Subsequent Events

Excel Centers has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is December 16, 2020.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This new standard, which Excel Centers is not required to adopt until its year ending June 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

Excel Centers is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2019, Excel Centers adopted FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* (ASU 2018-08). ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return on assets transferred or a right of release of a promisor's obligation to transfer assets. Finally, ASU 2018-08 amends the "simultaneous release accounting policy" to allow a not-for-profit entity to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. The adoption of ASU 2018-08 did not have a material impact on the 2020 financial statements.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

3. PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	2020	2019
Furniture	\$ 1,974,326	\$ 2,007,994
Equipment	2,392,594	2,367,337
Computers	2,576,990	2,757,048
Software	967,697	1,245,072
Leasehold improvements	6,369,142	5,688,503
Work in process	432,130	52,276
	<u>14,712,879</u>	<u>14,118,230</u>
Accumulated depreciation	(9,121,331)	(8,761,806)
Property and equipment, net	<u>\$ 5,591,548</u>	<u>\$ 5,356,424</u>

4. FAIR VALUE MEASUREMENTS

On July 1, 2019, Excel Centers early adopted the FASB ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for the Fair Value Measurement*. The amendments in this ASU removed certain disclosure requirements in Topic 820. As such, the fair value measurement disclosures for 2019 have been restated for these changes.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Excel Centers has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during 2020 and 2019:

- *Corporate bonds*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Fixed income securities*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Assets measured at fair value on a recurring basis as of June 30, 2020 and 2019 are as follows:

	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Corporate bonds				
Consumer services	\$ 80,641	\$ -0-	\$ 80,641	\$ -0-
Financial services	51,974	-0-	51,974	-0-
Healthcare	55,724	-0-	55,724	-0-
Real estate	105,855	-0-	105,855	-0-
Technology	56,217	-0-	56,217	-0-
Fixed income securities				
Basic materials	48,177	-0-	48,177	-0-
Communication services	92,701	-0-	92,701	-0-
Consumer products	206,659	-0-	206,659	-0-
Financial services	384,929	-0-	384,929	-0-
Healthcare	259,887	-0-	259,887	-0-
Industrials	498,570	-0-	498,570	-0-
Real estate	56,929	-0-	56,929	-0-
Technology	172,357	-0-	172,357	-0-
Utilities	209,805	-0-	209,805	-0-
		\$ -0-	\$ 2,280,425	\$ -0-
Cash	8,649			
Total investments at fair value	\$ 2,289,074			

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Corporate bonds				
Consumer services	\$ 75,438	\$ -0-	\$ 75,438	\$ -0-
Financial services	48,620	-0-	48,620	-0-
Healthcare	52,129	-0-	52,129	-0-
Real estate	99,025	-0-	99,025	-0-
Technology	52,590	-0-	52,590	-0-
Fixed income securities				
Basic materials	45,069	-0-	45,069	-0-
Communication services	86,720	-0-	86,720	-0-
Consumer products	193,325	-0-	193,325	-0-
Financial services	360,093	-0-	360,093	-0-
Healthcare	243,119	-0-	243,119	-0-
Industrials	466,401	-0-	466,401	-0-
Real estate	53,255	-0-	53,255	-0-
Technology	161,237	-0-	161,237	-0-
Utilities	196,268	-0-	196,268	-0-
		<u>\$ -0-</u>	<u>\$ 2,133,289</u>	<u>\$ -0-</u>
Cash	8,088			
Total investments at fair value	<u>\$ 2,141,377</u>			

Realized gains and losses are reported in the statements of activities and changes in net assets as a component of investment return. Realized gains recorded were \$-0- during both 2020 and 2019. Differences between market value and cost of investments are classified as unrealized gains or losses. Unrealized gains or losses are included in earnings for the period attributable to the change in unrealized gains relating to assets held as of June 30, 2020 and 2019 and are reported in the statements of activities and changes in net assets in investment return. Unrealized gains approximated \$70,000 and \$67,000 during 2020 and 2019, respectively.

Excel Centers hold investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in value, it is at least reasonably possible that changes in various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

5. RETIREMENT PLANS

Excel Centers' employees are employed and paid by GEI. Certain Excel Centers' employees (licensed teachers, counselors and certain administrative staff) are eligible to participate in the Indiana Teachers Retirement Fund (TRF) Defined Benefit Plan (TRF DB) and TRF Defined Contribution Plan (TRF DC). TRF DB is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. TRF DC is a cost-sharing multiple-employer defined contribution plan governed by the State of Indiana and administered by the INPRS Board. By statute, employers are required to contribute 7.5% of an employee's pretax gross income to TRF DB. Employers may also elect to contribute an additional 3% to TRF DC in lieu of the employee's own contributions. GEI has elected to make the voluntary contribution to TRF DC on behalf of its eligible employees, including employees of Excel Centers. Excel Centers contributed approximately \$470,000 and \$554,000 to TRF on behalf of its employees for 2020 and 2019, respectively. Should Excel Centers elect to withdraw from TRF, Excel Centers could be subject to a withdrawal fee. Excel Centers contributions represent an insignificant percentage of the total contributions received by TRF. A copy of the complete annual report for the year ended June 30, 2019 can be obtained at: www.in.gov/inprs.

Excel Centers' employees not eligible for TRF may elect to participate in Goodwill's discretionary thrift plan. For employees not eligible for TRF, Goodwill matches 100% of eligible employees' pre-tax contributions, up to 6% of gross income. Goodwill may also make additional discretionary contributions to the plan. Employer matching contributions vest immediately, and employer discretionary contributions vest after three years or in the event of death or disability. Excel Centers' expense relating to contributions to the Goodwill thrift plan for 2020 and 2019 was approximately \$166,000 and \$163,000, respectively.

6. RELATED PARTY TRANSACTIONS

Excel Centers is owned and operated by GEI. GEI provides employees, certain school-specific administrative services, and general management and oversight of the Excel Centers. GEI charges Excel Centers for its expenses related to the services provided. No markup is added to the fees charged to the schools. During 2020 and 2019, Excel Centers paid approximately \$4,769,000 and \$4,600,000, respectively, to GEI for administrative services, which is included in professional fees within the statements of activities and changes in net assets.

In 2006, Goodwill issued \$12,000,000 of tax-exempt bonds that financed three retail projects, the relocation of its commercial services to Tremont, and \$4,685,000 for Michigan Street remodeling related to Indianapolis Met and GEI (space now occupied by Indianapolis Met, GEI administration, and the Michigan Street Excel Center). During 2019, Excel Centers transferred assets of approximately \$851,000 to GCSI as reimbursement for its portion of the bond issuance.

Goodwill also pays certain operating expenses, including certain employee benefits, of Excel Centers, for which Excel Centers fully reimburses Goodwill. No markup is charged. In 2020 and 2019, Excel Centers paid Goodwill approximately \$3,166,000 and \$3,016,000, respectively. At June 30, 2020 and 2019, Excel Centers owed Goodwill \$376,000 and \$355,000 for reimbursable operating expenses, which are included in accounts payable and accrued expenses on the statement of financial position.

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Excel Centers employees participate in Goodwill's health care benefits plan. Goodwill self-insures for employee and dependent medical benefits up to a per-individual annual maximum of \$175,000, and an aggregate maximum of approximately \$6,600,000. Goodwill purchases reinsurance which pays individual claims that exceed \$175,000 per year. The reinsurer reviews claims annually and upon renewal of the reinsurance policy each year may establish higher specific maximums on selected individuals with high claims risks. Goodwill purchases claims administration services from a third-party administrator. Excel Centers paid premiums to the Goodwill health care plan of approximately \$1,956,000 and \$1,884,000 for 2020 and 2019, respectively.

7. RISKS AND UNCERTAINTIES

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

8. COMMITMENTS AND CONTINGENCIES

Operating Leases

Excel Centers leases space from Goodwill and from third parties. The leases are treated as operating leases and have terms that correspond to the duration of Excel Centers' charters. The leases have varying expiration dates through June 2031. Rent expense for 2020 and 2019, including common area maintenance charges, totaled approximately \$1,895,000 and \$1,903,000, respectively. Certain leases contain renewal options that allow the Excel Centers, at its discretion, to extend the leases for additional terms. Excel Centers' management is unable to determine at this time whether it will exercise its lease renewal options. Excel Centers paid Goodwill approximately \$137,000 for rent in 2020 and 2019.

GEI leases its Decatur Township Excel Center location for \$1 per year plus a capital recovery fee not to exceed \$20,000 annually. The lease expires June 2021. In-kind revenue and expense have been recorded within the statements of activities and changes in net assets at the estimated in-kind contribution and corresponding expense of \$121,000 in 2020 and 2019. Future minimum lease payments for operating leases are as follows:

Year Ending June 30,	
2021	\$ 1,612,466
2022	1,317,984
2023	1,017,466
2024	1,019,547
2025	1,040,229
Thereafter	<u>4,197,255</u>
	<u>\$ 10,204,947</u>

EXCEL CENTERS, LLC

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

COVID-19

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may continue to adversely impact the local, regional, national and global economies. The extent to which COVID-19 continues to impact Excel Centers' operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Impacts include, but are not limited to, additional costs for responding to COVID-19, potential shortages of personnel, potential shortages of supplies, loss of, or reduction to, revenue, and investment portfolio declines. Management believes Excel Centers is taking appropriate actions to respond to the pandemic. However, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

Excel Centers' financial assets available within one year of the June 30, 2020 and 2019 statements of financial position for general expenditure are as follows:

	2020	2019
	<u> </u>	<u> </u>
Financial assets		
Cash	\$ 7,291,433	\$ 4,686,241
Less board-designated cash	(230,000)	(210,000)
Cash, net	<u>7,061,433</u>	<u>4,476,241</u>
Support receivables	276,410	376,006
Related party receivable	<u>425,000</u>	<u>600,000</u>
Total financial assets	<u><u>\$ 7,762,843</u></u>	<u><u>\$ 5,452,247</u></u>

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

SUPPLEMENTARY INFORMATION

EXCEL CENTERS, LLC

**SCHEDULE OF FINANCIAL POSITION – SCHOOL LEVEL
JUNE 30, 2020**

	9750 Anderson	9355 Kokomo	9345 Lafayette	9305 Richmond	9335 West	9855 Noblesville	9840 University Heights	9910 Excel Center for Adult Learners	9955 Shelbyville	9050 Clarksville	9160 Muncie	8655 Bloomington	Eliminations	Total
ASSETS														
Current assets														
Cash	\$ 498,321	\$ 519,945	\$ 570,649	\$ 615,306	\$ 1,274,078	\$ 198,593	\$ 696,396	\$ 2,005,223	\$ 270,538	\$ 288,174	\$ 216,702	\$ 137,508	\$ -0-	\$ 7,291,433
Support receivables	3,582	-0-	3,708	11,959	-0-	3,750	4,536	48,399	77	-0-	56,815	143,584	-0-	276,410
Related party receivable	674,762	973,002	425,305	327,039	576,432	-0-	325,000	805,719	-0-	-0-	-0-	-0-	(3,682,259)	425,000
Prepaid expenses	12,729	10,500	9,157	10,292	8,155	9,150	-0-	11,099	6,947	1,435	17,602	7,382	-0-	104,448
Total current assets	1,189,394	1,503,447	1,008,819	964,596	1,858,665	211,493	1,025,932	2,870,440	277,562	289,609	291,119	288,474	(3,682,259)	8,097,291
Investments	286,133	-0-	-0-	286,134	1,144,538	-0-	-0-	572,269	-0-	-0-	-0-	-0-	-0-	2,289,074
Property and equipment, net	149,466	44,490	111,612	87,089	62,628	87,029	508,923	1,586,123	51,133	1,431,490	618,521	853,044	-0-	5,591,548
Total assets	\$ 1,624,993	\$ 1,547,937	\$ 1,120,431	\$ 1,337,819	\$ 3,065,831	\$ 298,522	\$ 1,534,855	\$ 5,028,832	\$ 328,695	\$ 1,721,099	\$ 909,640	\$ 1,141,518	\$ (3,682,259)	\$ 15,977,913
LIABILITIES AND NET ASSETS														
Current liabilities														
Accounts payable	\$ 31,450	\$ 27,309	\$ 27,811	\$ 17,962	\$ 26,954	\$ 18,889	\$ 24,641	\$ 88,778	\$ 12,113	\$ 16,979	\$ 25,725	\$ 2,525	\$ -0-	\$ 321,136
Accrued expenses	57,085	47,069	46,145	36,490	40,119	25,215	193,494	194,623	23,083	46,382	29,763	31,646	-0-	771,114
Related party payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,915,731	606,386	1,160,142	(3,682,259)	-0-
Total liabilities	88,535	74,378	73,956	54,452	67,073	44,104	218,135	283,401	35,196	1,979,092	661,874	1,194,313	(3,682,259)	1,092,250
Net assets (deficit)														
Without donor restrictions														
Undesignated	1,506,458	1,443,559	1,016,475	1,253,367	2,998,758	224,418	1,316,720	4,745,431	263,499	(287,993)	227,766	(52,795)	-0-	14,655,663
Board-designated	30,000	30,000	30,000	30,000	-0-	30,000	-0-	-0-	30,000	30,000	20,000	-0-	-0-	230,000
Total net assets (deficit)	1,536,458	1,473,559	1,046,475	1,283,367	2,998,758	254,418	1,316,720	4,745,431	293,499	(257,993)	247,766	(52,795)	-0-	14,885,663
Total liabilities and net assets	\$ 1,624,993	\$ 1,547,937	\$ 1,120,431	\$ 1,337,819	\$ 3,065,831	\$ 298,522	\$ 1,534,855	\$ 5,028,832	\$ 328,695	\$ 1,721,099	\$ 909,640	\$ 1,141,518	\$ (3,682,259)	\$ 15,977,913

See report of independent auditors on pages 1 and 2.

EXCEL CENTERS, LLC

**SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – SCHOOL LEVEL
YEAR ENDED JUNE 30, 2020**

	9750	9355	9345	9305	9335	9855	9840	9910	9955	9050	9160	8655		Total
	Anderson	Kokomo	Lafayette	Richmond	West	Noblesville	University Heights	Excel Center for Adult Learners	Shelbyville	Clarksville	Muncie	Bloomington	Eliminations	
Revenues and support														
State support	\$ 2,071,394	\$ 2,398,135	\$ 2,256,647	\$ 1,689,882	\$ 2,342,543	\$ 1,318,502	\$ 2,671,876	\$ 8,338,590	\$ 1,086,826	\$ 2,210,185	\$ 1,743,496	\$ 828,799	\$ -0-	\$ 28,956,875
Federal support	45,029	48,478	39,871	46,486	25,707	29,963	24,329	129,490	16,926	28,204	283,567	464,887	-0-	1,182,937
Contributions	2,500	150	-0-	176	-0-	-0-	4,536	121,000	77	-0-	-0-	29,528	-0-	157,967
Other	19,297	21,908	16,399	34,521	6,832	19,288	18,400	40,431	15,874	23,324	26,645	24	-0-	242,943
Investment return, net	19,260	-0-	-0-	19,261	77,045	-0-	-0-	38,523	-0-	-0-	-0-	-0-	-0-	154,089
Interfund transfer	1,310,000	1,290,000	1,220,000	1,130,000	1,127,500	570,000	1,195,000	4,261,000	595,000	2,190,000	1,275,000	1,335,000	(17,498,500)	-0-
Total revenues and support	3,467,480	3,758,671	3,532,917	2,920,326	3,579,627	1,937,753	3,914,141	12,929,034	1,714,703	4,451,713	3,328,708	2,658,238	(17,498,500)	30,694,811
Expenses														
Wages and benefits	1,009,014	1,292,594	1,279,932	966,774	1,294,326	800,029	1,361,771	4,335,089	677,183	1,056,037	1,052,652	597,770	-0-	15,723,171
Professional fees	564,641	572,786	504,019	472,136	559,608	205,768	630,335	2,159,791	191,814	486,611	359,493	361,808	-0-	7,068,810
Supplies and materials	40,245	32,961	35,836	11,603	41,035	17,482	37,780	247,194	20,268	43,130	(104,493)	54,309	-0-	477,350
Student transportation	1,431	1,850	9,307	4,300	11,633	835	13,171	79,214	3,222	21,227	600	7,810	-0-	154,600
Drop-in center	3,977	1,113	2,891	346	853	265	4,125	5,882	551	3,154	1,345	11,167	-0-	35,669
Rent	139,898	126,000	110,281	110,263	98,280	109,800	320,000	464,475	83,364	36,640	211,219	84,644	-0-	1,894,864
Occupancy	84,491	100,885	179,344	47,850	68,771	2,026	80,089	265,001	41,236	160,173	4,395	46,313	-0-	1,080,574
Depreciation	90,893	26,620	46,499	46,853	37,857	99,229	153,330	300,613	36,589	117,876	217,082	138,395	-0-	1,311,836
Interfund transfer	1,310,000	1,290,000	1,220,000	1,130,000	1,127,500	570,000	1,195,000	4,261,000	595,000	2,190,000	1,275,000	1,335,000	(17,498,500)	-0-
Other	31,113	26,015	28,197	24,474	24,579	14,702	35,038	99,968	13,442	32,248	26,998	25,499	-0-	382,273
Total expenses	3,275,703	3,470,824	3,416,306	2,814,599	3,264,442	1,820,136	3,830,639	12,218,227	1,662,669	4,147,096	3,044,291	2,662,715	(17,498,500)	28,129,147
Change in net assets without donor restrictions	191,777	287,847	116,611	105,727	315,185	117,617	83,502	710,807	52,034	304,617	284,417	(4,477)	-0-	2,565,664
Net assets														
Beginning of year	1,344,681	1,185,712	929,864	1,177,640	2,683,573	136,801	1,233,218	4,034,624	241,465	(562,610)	(36,651)	(48,318)	-0-	12,319,999
End of year	\$ 1,536,458	\$ 1,473,559	\$ 1,046,475	\$ 1,283,367	\$ 2,998,758	\$ 254,418	\$ 1,316,720	\$ 4,745,431	\$ 293,499	\$ (257,993)	\$ 247,766	\$ (52,795)	\$ -0-	\$ 14,885,663

See report of independent auditors on pages 1 and 2.

EXCEL CENTERS, LLC

**SCHEDULE OF FINANCIAL POSITION – SCHOOL LEVEL
JUNE 30, 2019**

	9750 Anderson	9355 Kokomo	9345 Lafayette	9305 Richmond	9335 West	9855 Noblesville	9840 University Heights	9910 Excel Center for Adult Learners	9955 Shelbyville	9050 Clarksville	9160 Muncie	8655 Bloomington	Eliminations	Total
ASSETS														
Current assets														
Cash	\$ 509,918	\$ 690,323	\$ 367,901	\$ 400,509	\$ 606,407	\$ 342,754	\$ 496,035	\$ 829,693	\$ 169,530	\$ 216,210	\$ 81,183	\$ (24,222)	\$ -0-	\$ 4,686,241
Support receivables	3,156	3,637	759	6,797	-0-	1,962	-0-	700	7,108	-0-	351,887	-0-	-0-	376,006
Related party receivable	399,762	498,002	475,494	427,040	1,012,388	-0-	525,000	1,155,719	-0-	-0-	-0-	-0-	(3,893,405)	600,000
Prepaid expenses	12,639	10,500	9,157	12,778	13,351	12,028	26,667	24,099	6,947	-0-	19,860	2,741	-0-	150,767
Total current assets	925,475	1,202,462	853,311	847,124	1,632,146	356,744	1,047,702	2,010,211	183,585	216,210	452,930	(21,481)	(3,893,405)	5,813,014
Investments	267,672	-0-	-0-	267,672	1,070,689	-0-	-0-	535,344	-0-	-0-	-0-	-0-	-0-	2,141,377
Property and equipment, net	227,290	63,713	147,755	133,943	95,862	178,860	275,164	1,776,375	81,798	1,519,165	825,207	31,292	-0-	5,356,424
Total assets	\$ 1,420,437	\$ 1,266,175	\$ 1,001,066	\$ 1,248,739	\$ 2,798,697	\$ 535,604	\$ 1,322,866	\$ 4,321,930	\$ 265,383	\$ 1,735,375	\$ 1,278,137	\$ 9,811	\$ (3,893,405)	\$ 13,310,815
LIABILITIES AND NET ASSETS														
Current liabilities														
Accounts payable	\$ 48,663	\$ 31,643	\$ 31,951	\$ 49,716	\$ 87,170	\$ 20,217	\$ 28,087	\$ 148,960	\$ 12,094	\$ 24,754	\$ 24,424	\$ 19,111	\$ -0-	\$ 526,790
Accrued expenses	27,093	48,820	39,251	21,383	27,954	17,630	61,561	138,346	11,824	32,500	33,788	3,876	-0-	464,026
Related party payable	-0-	-0-	-0-	-0-	-0-	360,956	-0-	-0-	-0-	2,240,731	1,256,576	35,142	(3,893,405)	-0-
Total liabilities	75,756	80,463	71,202	71,099	115,124	398,803	89,648	287,306	23,918	2,297,985	1,314,788	58,129	(3,893,405)	990,816
Net assets (deficit)														
Without donor restrictions														
Undesignated	1,314,681	1,155,712	899,864	1,147,640	2,683,573	106,801	1,233,218	4,034,624	211,465	(582,610)	(46,651)	(48,318)	-0-	12,109,999
Board-designated	30,000	30,000	30,000	30,000	-0-	30,000	-0-	-0-	30,000	20,000	10,000	-0-	-0-	210,000
Total net assets (deficit)	1,344,681	1,185,712	929,864	1,177,640	2,683,573	136,801	1,233,218	4,034,624	241,465	(562,610)	(36,651)	(48,318)	-0-	12,319,999
Total liabilities and net assets	\$ 1,420,437	\$ 1,266,175	\$ 1,001,066	\$ 1,248,739	\$ 2,798,697	\$ 535,604	\$ 1,322,866	\$ 4,321,930	\$ 265,383	\$ 1,735,375	\$ 1,278,137	\$ 9,811	\$ (3,893,405)	\$ 13,310,815

See report of independent auditors on pages 1 and 2.

EXCEL CENTERS, LLC

**SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – SCHOOL LEVEL
YEAR ENDED JUNE 30, 2019**

	9750	9355	9345	9305	9335	9855	9840	9910	9955	9050	9160	8655		Total
	Anderson	Kokomo	Lafayette	Richmond	West	Noblesville	University Heights	Excel Center for Adult Learners	Shelbyville	Clarksville	Muncie	Bloomington	Eliminations	
Revenues and support														
State support	\$ 1,953,034	\$ 2,350,646	\$ 2,135,182	\$ 1,696,337	\$ 2,260,092	\$ 1,269,276	\$ 2,579,588	\$ 8,306,985	\$ 1,040,983	\$ 1,903,500	\$ 1,378,125	\$ -0-	\$ -0-	\$ 26,873,748
Federal support	47,503	67,966	42,985	51,765	41,289	31,097	27,972	102,843	16,711	22,018	533,148	-0-	-0-	985,297
Contributions	291	750	350	456	351	354	-0-	121,649	24	150	-0-	-0-	-0-	124,375
Other	21,792	26,292	14,454	36,689	440	(84)	217	18,289	15,778	(56,178)	-0-	-0-	-0-	77,689
Investment return, net	18,326	-0-	-0-	18,326	73,302	-0-	-0-	36,651	-0-	-0-	-0-	-0-	-0-	146,605
Interfund transfer	250,000	250,000	250,000	200,000	250,000	150,000	350,000	800,000	100,000	200,000	150,000	25,000	(2,975,000)	-0-
Total revenues and support	2,290,946	2,695,654	2,442,971	2,003,573	2,625,474	1,450,643	2,957,777	9,386,417	1,173,496	2,069,490	2,061,273	25,000	(2,975,000)	28,207,714
Expenses														
Wages and benefits	1,050,979	1,264,644	1,263,492	964,937	1,300,296	825,470	1,349,172	4,191,686	622,057	1,005,407	1,041,706	43,966	-0-	14,923,812
Professional fees	557,524	628,805	500,912	500,450	558,380	199,989	575,024	2,255,604	158,518	362,461	382,827	3,626	-0-	6,684,120
Supplies and materials	29,214	29,882	50,262	31,564	47,762	27,200	41,180	138,502	27,489	40,067	56,913	238	-0-	520,273
Student transportation	710	550	10,595	8,550	16,400	1,143	8,123	89,638	2,978	22,017	702	-0-	-0-	161,406
Drop-in center	2,339	721	3,853	606	1,284	655	3,086	6,584	1,146	2,261	8,439	-0-	-0-	30,974
Rent	139,898	126,000	107,494	123,500	98,280	109,800	320,000	547,024	83,364	36,640	211,219	-0-	-0-	1,903,219
Occupancy	74,721	145,742	179,151	75,578	80,380	3,172	107,768	397,730	32,968	174,182	10,155	-0-	-0-	1,281,547
Depreciation	99,273	38,458	61,098	57,153	51,747	102,170	151,883	287,889	41,596	34,459	205,122	488	-0-	1,131,336
Interfund transfer	250,000	250,000	250,000	200,000	250,000	150,000	350,000	800,000	100,000	200,000	150,000	25,000	(2,975,000)	-0-
Other	32,796	25,167	31,727	30,017	24,780	16,040	28,109	80,047	10,609	32,083	31,139	-0-	-0-	342,514
Total expenses	2,237,454	2,509,969	2,458,584	1,992,355	2,429,309	1,435,639	2,934,345	8,794,704	1,080,725	1,909,577	2,098,222	73,318	(2,975,000)	26,979,201
Change in net assets														
without donor restrictions	53,492	185,685	(15,613)	11,218	196,165	15,004	23,432	591,713	92,771	159,913	(36,949)	(48,318)	-0-	1,228,513
Transfer of net assets	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(137,818)	-0-	-0-	137,818	-0-	-0-	-0-
Change in net assets	53,492	185,685	(15,613)	11,218	196,165	15,004	23,432	453,895	92,771	159,913	100,869	(48,318)	-0-	1,228,513
Net assets														
Beginning of year	1,291,189	1,000,027	945,477	1,166,422	2,487,408	121,797	1,209,786	3,580,729	148,694	(722,523)	(137,520)	-0-	-0-	11,091,486
End of year	\$ 1,344,681	\$ 1,185,712	\$ 929,864	\$ 1,177,640	\$ 2,683,573	\$ 136,801	\$ 1,233,218	\$ 4,034,624	\$ 241,465	\$ (562,610)	\$ (36,651)	\$ (48,318)	\$ -0-	\$ 12,319,999

See report of independent auditors on pages 1 and 2.

EXCEL CENTERS, LLC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant ID Number</u>	<u>Expenditures</u>
Major programs			
U.S. Department of Education (DOE) through Indiana Department of Education (IDOE) Expanding Opportunity through Quality Charter Schools Program	84.282	U282A170017	\$ 702,506
Non-major programs			
DOE - through IDOE - Special Education Cluster - Grants to States	84.027	H027A190084	432,202
DOE - through IDOE - English Language Acquisition State Grants	84.365	S365A190014	22,222
DOE - through IDOE - Supportive Effective Instruction State Grants	84.367	S367A190013	23,017
Total non-major programs			<u>477,441</u>
Total federal expenditures			<u>\$ 1,179,947</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Excel Centers, LLC (Excel Centers) for the year ended June 30, 2020, and is presented on the accrual basis of accounting. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this SEFA may differ from amounts presented in or used in the preparation of the basic financial statements. The basic financial statement classifications may include other financial activity for reporting purposes.

Summary of Significant Accounting Policies

Expenditures report on this SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Excel Centers has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Amounts Passed through to Subrecipients

Excel Centers did not pass through any federal awards to subrecipients during 2020. In addition, there were no federal awards expended in the form of non-cash assistance and there were no loan guarantees outstanding or extended during 2020.



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

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Excel Centers, LLC (Excel Centers) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Excel Centers' internal control over financial reporting (internal control) 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 Excel Centers' internal control. Accordingly, we do not express an opinion on the effectiveness of Excel Centers' internal control.

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

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

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Excel Centers' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Blue & Co., LLC

Indianapolis, Indiana
December 16, 2020



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

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited Excel Centers, LLC's (Excel Centers) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Excel Centers' major federal programs for the year ended June 30, 2020. Excel Centers' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Excel Centers' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Excel Centers' 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 of Excel Centers' compliance.

Board of Directors
Excel Centers, LLC
Indianapolis, Indiana

Opinion on Each Major Federal Program

In our opinion, Excel Centers complied, in all material respects, with the types of 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, 2020.

Report on Internal Control over Compliance

Management of Excel Centers 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 Excel Centers' 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 the Uniform Guidance, 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 Excel Centers' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over their 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
December 16, 2020

EXCEL CENTERS, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes none reported

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

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

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

Identification of major programs:

CFDA Number
84.282

Name of Federal Program or Cluster
Expanding Opportunity through
Quality Charter Schools Program

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

Auditee qualified as low-risk auditee? yes no

Section II – Findings related to financial statements reported in accordance with Government Auditing Standards:

None reported.

Section III – Findings and questioned costs relating to Federal awards:

None reported.

EXCEL CENTERS, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Section IV – Summary schedule of prior audit findings:

2019-001 – Significant deficiency related to Charter Schools Program

Condition – Excel Centers did not maintain records sufficient to detail the history of procurement related to four purchases tested that met the requirements of small purchases. In addition, Excel Centers did not obtain price or rate quotations required for two of those four purchases.

Recommendation – Other auditors recommended Excel Centers should train employees involved with procurement on procurement policies and the procurement standards as outlined in 2 CFR 200.318 - 200.326. In addition, Excel Centers should update P.O.s and other purchase approval forms to include policy requirements.

Current status – No similar findings were noted during the current year audit. Excel Centers developed procedures to promote consistent application of procurement policies.

EXCEL CENTERS, LLC

OTHER REPORT
YEAR ENDED JUNE 30, 2020

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

Supplemental Audit Report of Excel Centers, LLC

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