GOODWILL LEADS, INC. - THE EXCEL CENTER
ANNUAL REPORT
June 30, 2019

KRUGGEL LAWTON CPA
Elkhart, Indiana

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

ANNUAL REPORT
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KRUGGEL LAWTON CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Goodwill LEADS, Inc. (The Excel Center) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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.

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Kurzel, Jawbor & Company LLC

Certified Public Accountants

Elkhart, Indiana
December 9, 2019

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,164,215	1,012,456
Accounts receivable	75	1,715
Grants receivable	107,830	4,936
Prepaid expenses	195,610	44,937
Total Current Assets	1,467,730	1,064,044
PROPERTY AND EQUIPMENT		
Leasehold improvements	2,820,445	2,806,505
Office furniture and equipment	656,747	640,283
Computers and software	373,552	342,780
Total	3,850,744	3,789,568
Accumulated depreciation	(1,299,876)	(876,039)
Net Property and Equipment	2,550,868	2,913,529
OTHER ASSETS		
Deposits	14,297	14,297
Total Other Assets	14,297	14,297
TOTAL ASSETS	**4,032,895**	**3,991,870**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lines of credit - related party	960,000	625,000
Current portion of long-term debt	221,517	177,211
Accounts payable	14,608	10,200
Accounts payable - related party, net	44,507	28,859
Accrued payroll, benefits, and related taxes	105,539	108,529
Deferred revenue	0	978
Other accrued expenses	2,990	1,360
Total Current Liabilities	1,349,161	952,137
OTHER LIABILITIES		
Long-term debt	1,777,578	2,048,160
Total Other Liabilities	1,777,578	2,048,160
TOTAL LIABILITIES	**3,126,739**	**3,000,297**
NET ASSETS		
Without donor restriction	601,155	698,178
With donor restriction	305,001	293,395
TOTAL NET ASSETS	**906,156**	**991,573**
TOTAL LIABILITIES AND NET ASSETS	**4,032,895**	**3,991,870**

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, 2019

	Without Donor Restriction	With Donor Restriction Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Federal Grants	300,571	0	300,571
State education support	3,564,000	0	3,564,000
Contributions	76,184	63,404	139,588
Contributions - other	118,962	0	118,962
In-kind donations	157,712	0	157,712
Other income	29,402	0	29,402
Total Revenue	4,246,831	63,404	4,310,235
Net assets released from restrictions:			
Satisfaction of restrictions	51,798	(51,798)	0
FUNCTIONAL EXPENSES			
Program	3,211,231	0	3,211,231
Management and general	1,175,750	0	1,175,750
Fundraising	8,671	0	8,671
Total Functional Expenses	4,395,652	0	4,395,652
CHANGE IN NET ASSETS	**(97,023)**	**11,606**	**(85,417)**
NET ASSETS, BEGINNING OF YEAR	**698,178**	**293,395**	**991,573**
NET ASSETS, END OF YEAR	**601,155**	**305,001**	**906,156**

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, 2018

	Without Donor Restriction	With Donor Restriction Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Federal Grants	122,005	0	122,005
Non-federal grants	25,000	0	25,000
State education support	2,315,250	0	2,315,250
Contributions	230,809	34,940	265,749
In-kind donations	158,748	0	158,748
Other income	104,260	0	104,260
Total Revenue	2,956,072	34,940	2,991,012
Net assets released from restrictions:			
Satisfaction of restrictions	31,896	(31,896)	0
FUNCTIONAL EXPENSES			
Program	2,355,312	0	2,355,312
Management and general	928,583	0	928,583
Fundraising	12,600	0	12,600
Total Functional Expenses	3,296,495	0	3,296,495
CHANGE IN NET ASSETS	**(308,527)**	**3,044**	**(305,483)**
NET ASSETS, BEGINNING OF YEAR	**1,006,705**	**290,351**	**1,297,056**
NET ASSETS, END OF YEAR	**698,178**	**293,395**	**991,573**

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

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

	Program					Supporting Services			
	Classroom Instruction	Special Education	Student Counseling	Other Activities	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total
Advertising expense	0	0	0	226,681	226,681	0	0	0	226,681
Technology expenses	19,585	5,456	1,364	10,509	36,914	34,021	0	34,021	70,935
Classroom supplies	33,172	2,118	849	18,674	54,813	30,195	0	30,195	85,008
Dues and subscriptions	0	0	0	0	0	3,338	0	3,338	3,338
Employee benefits	165,364	73,416	42,202	54,686	335,668	109,264	701	109,965	445,633
Equipment expenses	1,598	1,150	320	2,982	6,050	4,103	0	4,103	10,153
Salaries and wages	824,423	432,526	128,753	272,539	1,658,241	503,132	7,404	510,536	2,168,777
Licensing fees	0	0	0	0	0	36,037	0	36,037	36,037
Meals	0	0	0	0	0	8,361	0	8,361	8,361
Insurance	6,971	4,812	1,394	11,129	24,306	10,937	0	10,937	35,243
Interest expense	27,462	21,775	5,492	47,009	101,738	28,565	0	28,565	130,303
Travel	0	0	503	0	503	2,247	0	2,247	2,750
Office supplies	2,796	2,027	559	11,182	16,564	20,447	0	20,447	37,011
Miscellaneous	441	304	88	8,391	9,224	18,895	0	18,895	28,119
Payroll taxes	61,182	32,128	9,190	19,790	122,290	37,327	566	37,893	160,183
Professional fees	0	0	0	0	0	57,400	0	57,400	57,400
Property taxes	5,027	4,021	1,005	5,027	15,080	2,011	0	2,011	17,091
Utilities	18,907	15,126	3,781	48,280	86,094	33,479	0	33,479	119,573
Student transportation	0	0	0	0	0	34,564	0	34,564	34,564
Rent	48,004	33,903	9,601	63,057	154,565	40,413	0	40,413	194,978
Repairs and maintenance	11,179	8,943	2,236	22,360	44,718	14,348	0	14,348	59,066
Depreciation	54,852	43,175	10,970	181,213	290,210	134,615	0	134,615	424,825
Security expense	5,460	4,368	1,092	16,652	27,572	12,051	0	12,051	39,623
TOTAL FUNCTIONAL EXPENSES	1,286,423	685,248	219,399	1,020,161	3,211,231	1,175,750	8,671	1,184,421	4,395,652

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

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

	Program					Supporting Service			
	Classroom Instruction	Special Education	Student Counseling	Other Activities	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total
Advertising expense	0	0	0	159,383	159,383	0	0	0	159,383
Technology expenses	8,754	1,251	5,002	7,197	22,204	38,112	0	38,112	60,316
Classroom supplies	23,324	0	2,230	35,351	60,905	4,059	0	4,059	64,964
Dues and subscriptions	0	0	0	0	0	2,233	0	2,233	2,233
Employee benefits	132,378	13,968	54,695	51,260	252,301	75,043	1,217	76,260	328,561
Equipment expenses	1,003	144	575	2,071	3,793	6,565	0	6,565	10,358
Salaries and wages	619,050	70,341	303,698	182,955	1,176,044	362,453	10,573	373,026	1,549,070
Licensing fees	0	0	0	0	0	30,000	0	30,000	30,000
Meals	0	0	0	0	0	4,508	0	4,508	4,508
Insurance	333	48	190	12,130	12,701	10,666	0	10,666	23,367
Interest expense	17,331	2,476	9,904	25,529	55,240	23,657	0	23,657	78,897
Travel	0	488	0	0	488	3,580	0	3,580	4,068
Office supplies	4,636	664	2,649	12,599	20,548	28,596	0	28,596	49,144
Miscellaneous	0	0	0	4,474	4,474	19,820	0	19,820	24,294
Payroll taxes	48,773	1,558	22,076	12,709	85,116	26,338	810	27,148	112,264
Professional fees	51	0	0	0	51	44,689	0	44,689	44,740
Property taxes	3,428	490	1,959	1,469	7,346	979	0	979	8,325
Utilities	24,777	3,534	14,136	48,203	90,650	40,266	0	40,266	130,916
Student transportation	0	0	0	17,002	17,002	0	0	0	17,002
Rent	33,642	4,807	19,224	38,235	95,908	30,615	0	30,615	126,523
Repairs and maintenance	7,450	1,064	4,258	15,889	28,661	13,324	0	13,324	41,985
Depreciation	34,794	4,971	19,883	174,540	234,188	150,340	0	150,340	384,528
Security expense	7,621	1,089	4,355	15,244	28,309	12,740	0	12,740	41,049
TOTAL FUNCTIONAL EXPENSES	967,345	106,893	464,834	816,240	2,355,312	928,583	12,600	941,183	3,296,495

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

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(85,417)	(305,483)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	424,825	384,528
Non-cash contribution	(118,962)	0
Non-cash interest expense	69,899	31,651
Donated asset	(10,187)	0
Adjustments for changes in operating assets and liabilities:		
Accounts receivable	1,640	(1,360)
Grants receivable	(102,894)	56,584
Prepaid expenses	(150,673)	15,287
Deposits	0	(6,937)
Accounts payable	4,408	(38,447)
Accounts payable - related party, net	15,648	24,199
Accrued payroll, benefits, and related taxes	(2,990)	45,765
Accrued property taxes	0	(53,598)
Deferred revenue	(978)	978
Other accrued expenses	1,630	(11,813)
Net Cash Flows provided by Operating Activities	45,949	141,354
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(51,977)	(364,225)
Net Cash Flows used in Investing Activities	(51,977)	(364,225)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	335,000	625,000
Payments on long term debt	(177,213)	(134,188)
Net Cash Flows provided by Financing Activities	157,787	490,812
INCREASE IN CASH AND CASH EQUIVALENTS	151,759	267,941
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,012,456	744,515
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,164,215**	**1,012,456**
SUPPLEMENTARY DISCLOSURE OF CASH FLOWS		
Interest paid	60,404	47,246
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment		
Cost of property and equipment	0	1,474,089
Loan	0	(1,474,089)

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

NATURE OF BUSINESS

Goodwill LEADS, Inc. (The Excel Center) (the "Organization"), is a public charter high school headquartered 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 South Bend, Indiana in September 2015 and in Hammond, Indiana in September 2017. During the fiscal year ended June 30, 2018, the Organization began preparations to open a school in Gary, Indiana where classes commenced in September 2018.

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 two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 Statements 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.

Restricted cash consists of the following for the years ended June 30:

	2019	2018
Excel Center lobby improvements	5,699	11,386
Computer lab improvements	19,717	25,000
Career training	10,000	10,000
Post-secondary scholarships	3,650	3,650
Certified Business Professional program	0	1,367
Certificate programs	3,573	24,940
Plato course software	5,000	5,000
Kids excel outdoor play area	1,247	5,000
Total	48,886	86,343

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, 2019 or 2018. Factors considered in determining the collectibility include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. 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 current 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions 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 expense was $424,825 and $384,528 for the years ended June 30, 2019 and 2018, respectively. The Organization received donated assets in the amount of $10,187 for the year ended June 30, 2019. There were no donated assets for the year ended June 30, 2018.

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

Leasehold improvements	10 - 15 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.

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 Statements of Activities as In-kind donations revenue for the years ended June 30, 2019 and 2018.

Donated services and materials are as follows for the years ended June 30:

	2019	2018
Services provided by a related party	133,174	157,530
Other gift in-kind	14,351	1,218
Total	147,525	158,748

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 current 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 support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions 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 $226,681 and $159,383 for the years ended June 30, 2019 and 2018, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated between program and supporting services. Management and general expense includes expenditures for record keeping, business management, budgeting, and the overall direction of the Organization and its programs.

Significant expenses that are allocated include the following:

Expense	Method of Allocation
Employee salaries & wages, benefits, taxes	Direct identification

The remainder of expenses are assigned to the respective functional category by method of direct assignment or estimated actual usage.

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 2015 through 2017 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

RECLASSIFICATIONS

Certain items in the June 30, 2018 financial statements have been reclassified to conform with the June 30, 2019 presentation. The reclassifications have no effect on total assets, liabilities, net assets, changes in net assets, or net cash flows as previously reported.

NOTE 2 - LIQUIDITY AND AVAILABILITY

As of June 30, 2019, the Organization has working capital of $118,569 and average days cash on hand of 107.

The table below represents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year end:

Cash and cash equivalents	1,115,329
Account receivables, net	75
Grants receivables	107,830
Deposits	14,297
Assets limited to use:	
Donor restricted	48,886
Total financial assets available to meet general expenditures within one year:	1,286,417

The Organization has certain donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations (Note 5). Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year.

The Organization has lines of credit available with a related party as described in Note 3. In addition, the related party makes contributions and extends long-term debt to the Organization as is deemed necessary.

NOTE 3 - LINES OF CREDIT

The Organization maintains a revolving line of credit with Goodwill Industries of Michiana, Inc. (a related party), in the amount of $625,000. The line of credit provides operating funds for the Hammond, Indiana location. The line of credit bears interest at the Libor 1 month rate plus 150 basis points resulting in a rate of 3.90% at June 30, 2019. Interest expense on the line of credit was $24,072 and $5,541 for the years ended June 30, 2019 and 2018, respectively. The balance on the line of credit was $625,000 at both June 30, 2019 and 2018. The line of credit matures on June 30, 2020.

On July 1, 2018, the Organization entered into a revolving line of credit agreement with Goodwill Industries of Michiana, Inc. in the amount of $550,000. The line of credit provides operating funds for the Gary, Indiana location and bears interest at the Libor 1 month rate, resulting in a rate of 2.40% at June 30, 2019. Interest expense was $2,718 for the year ended June 30, 2019. The balance outstanding on the line of credit was $335,000 at June 30, 2019. Subsequent to year end, the available line of credit was increased to $750,000 and the maturity date was extended from June 30, 2019 to June 30, 2020.

NOTE 4 - LONG-TERM DEBT

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

	2019	2018
An unsecured term note payable to Goodwill Industries of Michiana, Inc. in the original amount of $1,281,365, requiring payments of $11,612 including interest at 0.5%, through June 2025. Subsequent to year end, the note was paid in full.	649,453	751,282
An unsecured term note payable to Goodwill Industries of Michiana, Inc. in the original amount of $1,474,089, requiring interest only monthly payments at 4.95% from November 2017 through May 2018, at 5.09% for the month of June 2018, and at 2% thereafter through June 2021 at which time a balloon payment of $1,265,417 is due.	1,349,642	1,474,089
Total	1,999,095	2,225,371
Current portion	221,517	177,211
Net long-term debt	1,777,578	2,048,160

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

2021	1,438,333
2022	136,898
2023	137,584
2024	138,274
2025	138,966
Total	1,990,055
Present value as adjusted for programmatic investment	212,477
Net long-term debt	1,777,578

Goodwill Industries of Michiana, Inc. extended a below market interest rate long-term debt to the Organization to assist with operating costs, capital asset acquisitions, and other necessary expenditures associated with the South Bend school. 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 loan is deemed to be a programmatic investment. 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 was 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 $33,032 and $31,651 for the years ended June 30, 2019 and 2018, respectively. The Organization paid interest of $4,484 and $5,155 for the years ended June 30, 2019 and 2018, respectively.

During the current fiscal year, Goodwill Industries of Michiana, Inc. extended an additional loan in the amount of approximately $1,475,000 to the Organization to assist with operating costs, capital asset acquisitions, and other necessary expenditures associated with the Hammond school. The loan terms result in the recognition of a programmatic investment as of July 2018, at which time the present value of the loan was adjusted for the resulting contribution revenue of $118,862. The contribution will be amortized over the life of the loan. The note requires a balloon payment due June 30, 2021. In accordance with accounting principles governing programmatic investments, the Organization has imputed interest at a rate of 2% resulting in the recognition of contribution income and interest expense in the amount of $36,867 for the year ended June 30, 2019. The Organization paid interest of $28,916 and $42,091 for the years ended June 30, 2019 and 2018, respectively.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	2019	2018
Excel Center lobby improvements	5,699	11,386
Contribution related to programmatic investment by related party - South Bend	174,020	207,051
Computer lab improvements	19,717	25,000
Career training	10,000	10,000
Post-secondary scholarships	3,650	3,650
Certified Business Professional program	0	1,368
Contribution related to programmatic investment by related party - Hammond	82,095	0
Certificate programs	3,573	24,940
Plato course software	5,000	5,000
Kids excel outdoor play area	1,247	5,000
Total	305,001	293,395

NOTE 6 - 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 $29,057 and $17,290 for the years ended June 30, 2019 and 2018, respectively.

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 $104,172 and $69,814 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 - CONCENTRATIONS

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

The Organization has locations in North Central and Northwest Indiana. Accordingly, economic conditions in those areas may affect its operations.

NOTE 8 - LEASE COMMITMENTS

The Organization leases building space in South Bend, Indiana under a five year lease agreement effective as of July 1, 2015. The Organization is responsible for some maintenance and its proportionate share of utilities, insurance and taxes. The lease includes an optional additional five year term. The Organization also leases building space in Hammond, Indiana under a five year lease agreement effective September 1, 2017. The Organization is responsible for real estate taxes and common area maintenance (CAM) of $3,885 per month. The lease includes two optional additional five year terms.

The Organization also leases building space in Gary, Indiana. The original lease commenced on in August 2018 and terminated in June 2019. It required monthly payments of $7,000. In May 2019, the Organization entered into a one month lease effective July 10, 2019. The lease terminated on August 12, 2019 and the Organization subsequently moved to a newly constructed building in Gary owned by a related party, Goodwill Ventures, Inc. Goodwill Industries of Michiana, Inc. entered into a master lease arrangement with Goodwill Ventures, Inc. Goodwill Industries of Michiana, Inc., as the sub-landlord, then subleased the building owned by Goodwill Ventures, Inc. to the Organization under a sublease agreement effective July 1, 2019. The sublease agreement requires annual lease payments of $60,000, paid in monthly installments of $5,000. The lease term is five years and renews automatically for annual periods ending on June 30 unless either party notifies the other party at least 90 days in advance of June 30. The Organization is not responsible for operating expenses or real estate taxes.

The lease agreements require monthly rent payments as follows. Period one for South Bend is related to the year ended June 30, 2016 whereas period one for Hammond is related to June 30, 2019 and for Gary is June 30, 2020:

	South Bend		Hammond		Gary	
Period	Base Rent per Year	Base Rent per Month	Base Rent per Year	Base Rent per Month	Base Rent per Year	Base Rent per Month
Period 1	41,061	3,422	133,331	11,111	67,000	12,000
Period 2	43,912	3,659	137,493	11,458	60,000	5,000
Period 3	44,820	3,735	141,655	11,805	60,000	5,000
Period 4	45,264	3,772	145,818	12,152	60,000	5,000
Period 5	45,720	3,810	24,419	2,035	60,000	5,000

In addition, the Organization has entered into five year leases for equipment at the South Bend, Hammond, and Gary locations. These agreements require monthly payments of $257 and $271, and $160 respectively. Total base rent expense under the agreements was $203,114 and $132,053 for the years ended June 30, 2019 and 2018, respectively.

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

2020	258,477
2021	207,861
2022	210,994
2023	87,153
2024	60,960
Total future minimum lease payments	825,445

NOTE 9 - COMMITMENTS

The Organization 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 provided for the Organization's use of Goodwill Education Initiatives, Inc.'s intellectual property. Services included new school planning assistance, start-up year and later year assistance, and technology services. During years two through five of the agreement, the fee was the lesser of 14.5% of education revenue or $320,000 per school site operated. Payment was due no later than 30 days from receipt of the education revenue. The Organization terminated the agreement during the year ended June 30, 2018. The Organization paid Goodwill Education Initiatives, Inc. $0 relative to this agreement during the year ended June 30, 2018.

On September 1, 2017, the Organization terminated the above agreement and entered into a membership agreement with Goodwill Education Initiatives, Inc. The agreement provides for licensing of the "The Excel Center" name and Marks, and membership in the Excel Center Network for a term of 31 months. The agreement may be renewed for two additional three year terms, if notice for renewal is given within three months prior to the end of the initial term. The monthly payment of $3,000 is due within thirty days of the first day of the month. The Organization paid Goodwill Education Initiatives, Inc. $36,000 and $30,000 relative to this agreement during the years ended June 30, 2019 and 2018, respectively.

On October 6, 2017, the Organization entered into an agreement with Milestone Accounting & Bookkeeping Services, Inc. The agreement provides for review of the general ledger, preparation of State Board of Accounts Form 9, and IRS forms 1099 and 1096 for a term of one year. The monthly payment of $1,000 is due within thirty days of the first day of the month. The Organization paid $12,100 and $9,000 relative to this agreement during the years ended June 30, 2019 and 2018, respectively.

NOTE 10 - RELATED PARTY TRANSACTIONS

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

Goodwill also provided interest-free or below market rate interest loans. See Notes 2 and 3. Goodwill also provided cash subsidies to the Organization of approximately $130,000 and $236,000 during the fiscal years ended June 30, 2019 and 2018, respectively. The subsidies are recorded in Contributions on the Statements of Activities.

Goodwill also provides contributed goods and services to the Organization as disclosed in Note 1.

The Organization has accounts payable of $44,507 and $28,859 due to Goodwill as of June 30, 2019 and 2018, respectively.

NOTE 11 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 9, 2019, the date the financial statements were available to be issued. As discussed in Notes 3 and 4, the Organization's line of credit with a related party was increased by $200,000 and one of its long-term notes with the same related party was paid in full subsequent to year end June 30, 2019. In addition, as described in Note 8, the Organization entered into a five year sublease agreement with the same related party subsequent to year end. Except as disclosed in Notes 3, 4, and 8, no events or transactions occurred during this period which require recognition or disclosure in the financial statements.