GOODWILL LEADS, INC. - THE EXCEL CENTER
ANNUAL REPORT
June 30, 2018

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), which comprise the statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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,

Kuzzel, Fowler & Company LLC

Certified Public Accountants

Elkhart, Indiana
December 13, 2018

GOODWILL LEADS, INC. (THE EXCEL CENTER)

South Bend, Indiana

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,012,456	744,515
Accounts receivable	1,715	355
Grants receivable	4,936	61,520
Prepaid expenses	44,937	60,224
Total Current Assets	1,064,044	866,614
PROPERTY AND EQUIPMENT		
Leasehold improvements	2,806,505	1,324,254
Office furniture and equipment	640,283	334,830
Computers and software	342,780	292,171
Total	3,789,568	1,951,255
Accumulated depreciation	(876,039)	(491,512)
Net Property and Equipment	2,913,529	1,459,743
OTHER ASSETS		
Deposit	14,297	7,360
Total Other Assets	14,297	7,360
TOTAL ASSETS	**3,991,870**	**2,333,717**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	625,000	0
Current portion of long-term debt	177,211	134,188
Accounts payable	10,583	48,647
Accounts payable - related party, net	28,859	4,660
Accrued payroll, benefits, and related taxes	108,529	62,764
Accrued property taxes	0	53,598
Deferred revenue	1,955	13,173
Total Current Liabilities	952,137	317,030
OTHER LIABILITIES		
Long-term debt	2,048,160	719,631
Total Other Liabilities	2,048,160	719,631
TOTAL LIABILITIES	**3,000,297**	**1,036,661**
NET ASSETS		
Unrestricted	698,178	1,006,705
Temporarily restricted	293,395	290,351
TOTAL NET ASSETS	**991,573**	**1,297,056**
TOTAL LIABILITIES AND NET ASSETS	**3,991,870**	**2,333,717**

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

	Unrestricted	Temporarily 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
EXPENSES			
Advertising expense	159,383	0	159,383
Technology expenses	60,316	0	60,316
Classroom supplies	64,964	0	64,964
Dues and subscriptions	2,233	0	2,233
Employee benefits	328,561	0	328,561
Equipment expenses	10,358	0	10,358
Salaries and wages	1,549,070	0	1,549,070
Licensing fees	30,000	0	30,000
Meals	4,508	0	4,508
Insurance	23,367	0	23,367
Interest expense	78,897	0	78,897
Office supplies	49,144	0	49,144
Miscellaneous	24,294	0	24,294
Payroll taxes	112,264	0	112,264
Professional fees	44,740	0	44,740
Property taxes	8,325	0	8,325
Travel	4,068	0	4,068
Utilities	130,916	0	130,916
Student transportation	17,002	0	17,002
Rent	126,523	0	126,523
Repairs and maintenance	41,985	0	41,985
Depreciation	384,528	0	384,528
Security expense	41,049	0	41,049
Total 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 ACTIVITIES

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Federal Grants	522,864	0	522,864
State education support	2,145,000	0	2,145,000
Contributions	270,908	40,167	311,075
In-kind donations	131,491	0	131,491
Other income	2,031	0	2,031
Total Revenue	3,072,294	40,167	3,112,461
Net assets released from restrictions:			
Satisfaction of restrictions	65,709	(65,709)	0
EXPENSES			
Advertising expense	65,767	0	65,767
Technology expenses	23,336	0	23,336
Classroom supplies	25,045	0	25,045
Dues and subscriptions	2,548	0	2,548
Employee benefits	253,397	0	253,397
Equipment expenses	10,026	0	10,026
Salaries and wages	976,245	0	976,245
Licensing fees	240,000	0	240,000
Meals	4,713	0	4,713
Insurance	22,182	0	22,182
Interest expense	30,728	0	30,728
Office supplies	31,463	0	31,463
Miscellaneous	28,102	0	28,102
Payroll taxes	72,434	0	72,434
Professional fees	14,725	0	14,725
Travel	2,710	0	2,710
Utilities	77,740	0	77,740
Student transportation	12,395	0	12,395
Rent	46,000	0	46,000
Repairs and maintenance	17,856	0	17,856
Depreciation	286,940	0	286,940
Security expense	24,198	0	24,198
Total Expenses	2,268,550	0	2,268,550
CHANGE IN NET ASSETS	**869,453**	**(25,542)**	**843,911**
NET ASSETS, BEGINNING OF YEAR	**137,252**	**315,893**	**453,145**
NET ASSETS, END OF YEAR	**1,006,705**	**290,351**	**1,297,056**

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(305,483)	843,911
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	384,528	286,940
Non-cash interest expense	31,651	25,085
Gain on disposal of equipment	0	(2,011)
Adjustments for changes in operating assets and liabilities:		
Accounts receivable	(1,360)	2,154
Grants receivable	56,584	(52,230)
Prepaid expenses	15,287	(48,445)
Deposit	(6,937)	0
Accounts payable	(38,064)	(7,428)
Accounts payable - related party, net	24,199	6,879
Accrued payroll, benefits, and related taxes	45,765	12,012
Accrued property taxes	(53,598)	0
Deferred revenue	(11,218)	13,173
Net Cash Flows from Operating Activities	141,354	1,080,040
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(364,225)	(77,808)
Proceeds from disposal of equipment	0	4,797
Net Cash Flows used in Investing Activities	(364,225)	(73,011)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	625,000	(225,000)
Payments on long term debt	(134,188)	(126,843)
Net Cash Flows from Financing Activities	490,812	(351,843)
INCREASE IN CASH AND CASH EQUIVALENTS	267,941	655,186
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	744,515	89,329
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,012,456**	**744,515**
SUPPLEMENTARY DISCLOSURE OF CASH FLOWS		
Interest paid	47,246	2,828
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment		
Cost of property and equipment	1,474,089	0
Loan	(1,474,089)	0

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 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 three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

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

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

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

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

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

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

	2018	2017
Excel Center lobby improvements	11,386	11,481
Computer lab improvements	25,000	25,000
Career training	10,000	10,000
Post-secondary scholarships	3,650	3,650
Certified Business Professional program	1,367	1,517
Certificate programs	24,940	0
Plato course software	5,000	0
Kids excel outdoor play area	5,000	0
Total	86,343	51,648

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, 2018 or 2017. 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 unrestricted support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was $384,528 and $286,940 for the years ended June 30, 2018 and 2017, respectively.

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

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

DONATED SERVICES AND MATERIALS

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

Material gift-in-kind items used in the Organization's programs and donated goods distributed are recorded as income and expense at the time the items are received, which is normally also the time they are placed into service or distributed. Donated services and materials are recorded in the Statement of Activities as In-kind donations revenue for the years ended June 30, 2018 and 2017.

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

	2018	2017
Services provided by a related party	157,530	129,513
Other gift in-kind	1,218	1,978
Total	158,748	131,491

CONTRIBUTIONS

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

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

ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs were $159,383 and $65,767 for the years ended June 30, 2018 and 2017, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

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

	2018	2017
Program activities:		
Classroom instruction	967,345	465,808
Student counseling	464,834	251,927
Special education services	106,893	57,089
Other program activities	816,240	600,541
Total program activities	2,355,312	1,375,365
Supporting services:		
Program support	270,465	304,672
Administrative support	658,118	571,157
Total supporting services	928,583	875,829
Fundraising	12,600	17,356
Total functional expenses	3,296,495	2,268,550

INCOME TAXES

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

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

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2014 through 2016 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

NOTE 2 - LINE OF CREDIT

On August 1, 2017 the Organization signed a revolving line of credit agreement with Goodwill Industries of Michiana, Inc., (a related party), effective as of June 8, 2017, in the amount of $375,000. On April 26, 2018, the agreement was amended to increase the line to $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 3.59% at June 30, 2018. The balance on the line of credit was $625,000 and $0 at June 30, 2018 and 2017, respectively.

Subsequent to year end, on July 1, 2018, the Organization signed 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.

NOTE 3 - LONG-TERM DEBT

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

	2018	2017
An unsecured term note payable to Goodwill Industries of Michiana, Inc. in the original amount of $1,281,365, requiring interest free monthly payments in the amount of $10,000 from July 2016 through December 2016, and payments of $11,612 including interest at 0.5%, thereafter through June 2025.	751,282	853,819
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.	1,474,089	
Current portion	177,211	134,188
Net long-term debt	2,048,160	719,631

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

2020	221,517
2021	1,481,972
2022	136,898
2023	137,584
2024	138,274
Thereafter	138,966
Total	2,255,211
Present value as adjusted for programmatic investment	207,051
Net long-term debt	2,048,160

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 $31,651 and $25,085 for the years ended June 30, 2018 and 2017, respectively. The Organization paid interest of $5,155 and $2,828 for the years ended June 30, 2018 and 2017, 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 bears a market rate of interest until July 2018, at which time it will also be deemed a programmatic investment. As such, the debt is reported at the face amount of the note until the below market interest rate takes effect. In July 2018, the present value of the loan will be adjusted for the resulting contribution revenue. The contribution will be amortized over the life of the loan. The note requires a balloon payment due June 30, 2021. The Organization paid interest of $42,091 for the year ended June 30, 2018.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

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

	2018	2017
Excel Center lobby improvements	11,386	11,481
Contribution related to programmatic investment by related party - South Bend	207,051	238,702
Computer lab improvements	25,000	25,000
Career training	10,000	10,000
Post-secondary scholarships	3,650	3,650
Certified Business Professional program	1,368	1,518
Certificate programs	24,940	0
Plato course software	5,000	0
Kids excel outdoor play area	5,000	0
Total	293,395	290,351

NOTE 5 - RETIREMENT PLAN

The Organization maintains a section 403(b) retirement plan for its non-certified employees. The plan provides for individual custodial accounts for participating employees with varied investment options. The Organization made contributions to this plan in the amount of 3% of wages for full time employees during the year as defined by the plan document, and also matched employee contributions up to an additional 2%. Retirement expense under the 403(b) plan was $17,290 and $18,882 for the years ended June 30, 2018 and 2017, 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 $69,814 and $38,364 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 - 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 7 - 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 of $3,885 per month. The lease includes two optional additional five year terms. 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:

	South Bend		Hammond	
Period	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
Period 2	43,912	3,659	137,493	11,458
Period 3	44,820	3,735	141,655	11,805
Period 4	45,264	3,772	145,818	12,152
Period 5	45,720	3,810	24,419	2,035

In addition, the Organization has entered into five year leases for equipment at the South Bend and Hammond locations. These agreements require monthly payments of $257 and $271, respectively.

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

2019	184,939
2020	189,557
2021	145,941
2022	149,074
2023	25,233
Total future minimum lease payments	694,744

NOTE 8 - 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 and $240,000 relative to this agreement during the years ended June 30, 2018 and 2017, respectively.

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. $30,000 relative to this agreement during the year ended June 30, 2018.

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 $9,000 relative to this agreement during the year ended June 30, 2018.

NOTE 9 - 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 $236,000 and $200,000 during the fiscal years ended June 30, 2018 and 2017, respectively. The subsidies are recorded in Contributions on the Statement of Activities.

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

The Organization has accounts payable of $28,859 due to Goodwill as of June 30, 2018. The Organization had net accounts payable of $4,660 from Goodwill as of June 30, 2017, of which $16,660 of gross accounts payable is shown net of $12,000 of accounts receivable from Goodwill.

NOTE 10 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 13, 2018, the date the financial statements were available to be issued. Except as disclosed in Note 2, no events or transactions occurred during this period which require recognition or disclosure in the financial statements.