



ADULT CHARTER HIGH SCHOOL

**THE GOODWILL EXCEL CENTER,
PUBLIC CHARTER SCHOOL**

**Financial Statements and Supplementary
Information**

For the Year Ended June 30, 2022

(With Summarized Financial Information for the Year Ended June 30, 2021)



**and
Report Thereon**



**Report Required in Accordance with
*Government Auditing Standards***

For the Year Ended June 30, 2022



THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Goodwill Excel Center, Public Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Goodwill Excel Center, Public Charter School (GEC), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GEC as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GEC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GEC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GEC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GEC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Report on Summarized Comparative Financial Statements

We have previously audited The Goodwill Excel Center, Public Charter School's 2021 financial statements, and in our report dated November 23, 2021, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Regulatory Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of awarded contracts equal to or exceeding \$25,000 and schedule of average usable square footage is presented for the purposes for additional analysis and is not a required part of the financial statements. Such information, although not a part of

the financial statements, is required by the DC Public Charter School Board and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of the GEC's 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the GEC's 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 the GEC's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
November 30, 2022

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With Summarized Financial information as of June 30, 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,224,610	\$ 8,041,045
Receivables	1,107,631	-
Prepaid expenses	142,949	27,889
Total Current Assets	10,475,190	8,068,934
Deposits	63,258	189,775
Right-of-use asset	8,470,858	-
Property and equipment, net	4,530,093	1,908,267
TOTAL ASSETS	\$ 23,539,399	\$ 10,166,976
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,126,598	\$ 747,813
Contract liability	-	44,776
Lease liability, current portion	681,315	202,715
Total Current Liabilities	1,807,913	995,304
Lease liability, net of current portion	12,558,920	1,304,036
TOTAL LIABILITIES	14,366,833	2,299,340
Net Assets		
Without donor restrictions	9,172,566	7,867,636
TOTAL NET ASSETS	9,172,566	7,867,636
TOTAL LIABILITIES AND NET ASSETS	\$ 23,539,399	\$ 10,166,976

The accompanying notes are an integral part of these financial statements.

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022
(With Summarized Financial Information for the Year Ended June 30, 2021)

	2022	2021
REVENUE AND SUPPORT		
Per pupil allocation	\$ 9,283,012	\$ 7,465,686
Federal grants	444,873	21,293
Contributed goods and services	39,355	1,925
Interest income	746	850
Private grants and contributions	5	60,129
TOTAL REVENUE AND SUPPORT	9,767,991	7,549,883
EXPENSES		
Program Service:		
Adult Education	7,928,977	5,811,905
Supporting Service:		
Management and general	534,084	459,702
TOTAL EXPENSES	8,463,061	6,271,607
CHANGE IN NET ASSETS	1,304,930	1,278,276
NET ASSETS, BEGINNING OF YEAR	7,867,636	6,589,360
NET ASSETS, END OF YEAR	\$ 9,172,566	\$ 7,867,636

The accompanying notes are an integral part of these financial statements.

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

(With Summarized Financial Information for the Year Ended June 30, 2021)

	<u>Program Service</u>	<u>Supporting Service</u>	<u>2022 Total</u>	<u>2021 Total</u>
	<u>Adult Education</u>	<u>Management and General</u>		
Personnel, Salaries and Benefits				
Contracted labor	\$ 4,418,107	\$ 141,100	\$ 4,559,207	\$ 3,931,353
Professional development	65,298	-	65,298	15,734
Other contracted labor-related expense	<u>1,155</u>	<u>-</u>	<u>1,155</u>	<u>700</u>
Total Personnel, Salaries and Benefits	<u>4,484,560</u>	<u>141,100</u>	<u>4,625,660</u>	<u>3,947,787</u>
Direct Student Costs				
Child development center	580,417	-	580,417	47,558
Student books and learning material	126,455	-	126,455	10,049
Other student costs	117,634	-	117,634	160,522
Computer support	90,162	-	90,162	91,705
Student recruiting	39,343	-	39,343	47,114
Student assessments	20,217	-	20,217	10,600
Student transportation stipends	7,422	-	7,422	17,813
Supplies, materials and snacks	<u>6,914</u>	<u>-</u>	<u>6,914</u>	<u>8,212</u>
Total Direct Student Costs	<u>988,564</u>	<u>-</u>	<u>988,564</u>	<u>393,573</u>
Occupancy				
Lease expense	909,922	-	909,922	355,408
Depreciation and amortization - facilities	136,910	-	136,910	135,323
Utilities and garbage removal	15,700	-	15,700	66,800
Other occupancy expenses	8,872	-	8,872	12,633
Janitorial supplies	5,803	-	5,803	2,643
Maintenance and repairs	<u>4,586</u>	<u>-</u>	<u>4,586</u>	<u>30,266</u>
Total Occupancy	<u>1,081,793</u>	<u>-</u>	<u>1,081,793</u>	<u>603,073</u>
Office Expenses				
Telecommunications	-	29,793	29,793	22,090
Office supplies	-	24,609	24,609	10,141
Printing and copying	2,550	18,681	21,231	18,192
Other	-	3,659	3,659	4,045
Postage	<u>-</u>	<u>2,126</u>	<u>2,126</u>	<u>1,832</u>
Total Office Expenses	<u>2,550</u>	<u>78,868</u>	<u>81,418</u>	<u>56,300</u>
General Expenses				
Professional and consulting fees	1,240,024	73,206	1,313,230	909,387
Depreciation and amortization - non-facility	130,767	106,364	237,131	230,415
Dues, fees, licenses and fines	-	45,136	45,136	51,689
Accounting, auditing and payroll	-	44,387	44,387	45,531
Insurance	-	29,551	29,551	24,164
Other	<u>719</u>	<u>15,472</u>	<u>16,191</u>	<u>9,688</u>
Total General Expenses	<u>1,371,510</u>	<u>314,116</u>	<u>1,685,626</u>	<u>1,270,874</u>
TOTAL EXPENSES	<u>\$ 7,928,977</u>	<u>\$ 534,084</u>	<u>\$ 8,463,061</u>	<u>\$ 6,271,607</u>

The accompanying notes are an integral part of these financial statements.

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022
(With Summarized Financial Information for the Year Ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,304,930	\$ 1,278,276
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	374,041	365,738
Loss on student provided computers	120,457	-
Changes in assets and liabilities:		
Receivables	(298,633)	119,369
Prepaid expenses	(115,060)	187,778
Deposits	126,517	-
Right-of-use asset	2,283,032	-
Accounts payable and accrued expenses	(49,862)	104,422
Contract liability	(44,776)	-
Lease liability	(2,059,971)	(200,552)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,640,675	1,855,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(457,110)	(389,833)
NET CASH USED IN INVESTING ACTIVITIES	(457,110)	(389,833)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,183,565	1,465,198
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,041,045	6,575,847
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,224,610	\$ 8,041,045
NONCASH TRANSACTIONS		
Noncash investing and financing activities:		
Property and equipment purchases in accounts payable	\$ 428,647	\$ -

The accompanying notes are an integral part of these financial statements.

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

**NOTES ON FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

1. Organization and Summary of Significant Accounting Policies

Organization

The Goodwill Excel Center, Public Charter School (GEC) was formed on February 23, 2015, and launched operations in August 2016. The goal of the school is to provide Washington, DC, adult residents the opportunity and support to earn a high school diploma and post-secondary education while developing career paths that present greater employment and career growth opportunities. GEC's revenue and other support consist primarily of the per pupil allocations from the government of the District of Columbia (DC), private grants and contributions, and federal sources.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are prepared using the accrual basis of accounting and include receivables and payables.

Receivables

GEC uses the allowance method to record potentially uncollectible receivables.

Property and Equipment

Property and equipment are carried at cost. Depreciation and amortization are recorded using the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. GEC capitalizes property and equipment purchases that have an estimated useful life of greater than one year and cost \$1,000 or more.

Furniture and fixtures	7 years
Software	3 years
Office equipment	5 years
Computer hardware	3 to 5 years

Leasehold improvements are amortized over the remaining life of the lease. Assets in process are stated at cost and not depreciated until the assets are complete and placed in service. Maintenance and repairs are expensed as incurred. Significant renewals and betterments are capitalized. At the time assets are retired or otherwise disposed of, the property and related accumulated depreciation and amortization accounts are relieved of the applicable amounts and any gain or loss is credited or charged to revenue and support.

Right of Use Asset and Lease Liability

GEC determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. The ROU asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using GEC's estimated incremental borrowing rate or implicit rate, when readily determinable, and is adjusted for lease incentives. The ROU asset is amortized on a straight-line basis over the lease term and

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

NOTES ON FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Right of Use Asset and Lease Liability (continued)

is reflected as lease expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to lease expense for the difference. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the statement of financial position. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Net Assets

Net assets without donor restrictions represent the portion of expendable funds that are available for general support of GEC's operations.

Revenue Recognition

Per pupil funding represents the per pupil student allocation and facility allowance from DC to cover the cost of academic expenses. Revenue is recognized ratably over the academic year. Unearned funding is recognized as contract liability in the accompanying statement of financial position until earned. Unearned funding is short term in nature and recognized as revenue in the following year.

Unconditional grants and contributions are recognized as revenue and support in the accounting period in which they are received or when an unconditional promise to give is made. Unconditional contributions are considered available for general expenditure unless specifically restricted by a donor. Amounts that are designated for future periods or restricted by the donor for a specific purpose are reported as grants and contributions with donor restrictions in the accompanying statement of activities. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and released from restriction. Unconditional grants or contributions that have been committed to GEC, but have not been received as of year-end, are reflected as receivables in the accompanying statement of financial position. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Federal grants are conditioned upon certain performance requirements and are recognized as unconditional contributions when the conditions are met. Revenue recognized on federal grants for which billings have not been presented to or collected from the awarding agency is included in receivables in the accompanying statement of financial position. The expenditures under these grants are subject to review by the granting authority.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the accompanying statement of functional expenses. All expenses are directly attributed to specific functional areas of GEC and are reported as expenses of those functional areas.

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

NOTES ON FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The standard applies a right-of-use model that requires, all leases with a lease term of more than 12 months, to recognize an asset representing its right to use the underlying asset for the lease term and liability to make lease payments to be recorded. GEC early adopted this standard during the year ended June 30, 2022. GEC elected not to restate the comparative period. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, (iii) initial direct costs for existing leases. The adoption of ASU 2016-02 resulted in the recognition of right-of-use assets, net of lease incentives of \$3,039,565 and deferred rent of \$1,506,750, of \$9,247,140 and operating lease liabilities of \$13,793,455 as of July 1, 2021. Results for periods beginning prior to July 1, 2021 continue to be reported in accordance with GEC's historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on GEC's results of operations and cash flows.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. GEC adopted ASU 2020-07 retrospectively on July 1, 2021. The adoption of the standard did not result in a material change to the financial statements.

2. Right-of-Use Asset and Lease Liability

GEC evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent GEC's right to use underlying assets for the lease term, and the lease liabilities represent GEC's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. GEC has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

NOTES ON FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

2. Right-of-Use Asset and Lease Liability (continued)

GEC's operating leases consist of two real estate leases. Both leases have options for renewal, at GEC's option, for which management is not reasonably certain to exercise. Therefore, the payments associated with the extension are not included in the ROU asset nor the lease liability recognized as of June 30, 2022.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of June 30, 2022:

Operating right-of-use asset:	<u>\$ 8,470,858</u>
Operating lease liabilities:	
Current portion of operating lease liabilities	\$ 681,315
Operating lease liabilities	<u>12,558,920</u>
Total operating lease liabilities	<u>\$ 13,240,235</u>

For the year ended June 30, 2022, total operating lease cost was \$909,922. Cash paid for operating leases for the year ended June 30, 2022 totaled \$686,861. There were no noncash investing and financing transactions relating to leasing other than the transition entry described in Note 1 related to the adoption of the new lease standard.

Weighted average lease term and discount rate as June 30, 2022 were as follows:

Weighted average remaining lease term	9.5 years
Weighted average discount rate	1.37%

The maturities of operating lease liabilities as of June 30, 2022 were as follows:

<u>For the Year Ending</u> <u>June 30,</u>	
2023	\$ 860,244
2024	1,643,011
2025	1,689,036
2026	1,736,211
2027	1,650,710
Thereafter	<u>6,716,294</u>
Total	14,295,506
Less: Present Value Discount	<u>(1,055,271)</u>
Lease Liability	<u>\$ 13,240,235</u>

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

NOTES ON FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

3. Property and Equipment and Accumulated Depreciation and Amortization

GEC held the following property and equipment as of June 30, 2022:

Assets in process ^(a)	\$ 3,093,996
Leasehold improvements	2,213,609
Computer hardware	619,152
Furniture and fixtures	351,259
Office equipment	193,570
Software	<u>168,426</u>
Total Property and Equipment	6,640,012
Less: Accumulated Depreciation and Amortization	<u>(2,109,919)</u>
Property and Equipment, Net	<u>\$ 4,530,093</u>

(a) The assets in process are associated with the buildout of the new location. The school was placed in service in September 2022, subsequent to year end, at which point depreciation began on these assets.

Depreciation and amortization expense totaled \$374,041 for the year ended June 30, 2022. Depreciation is included in the statement of functional expenses as follow:

Depreciation and amortization – facility	\$ 136,910
Depreciation and amortization – non-facility	<u>237,131</u>
Total Depreciation and amortization	<u>\$ 374,041</u>

4. School Funding – Per Pupil Allocation

The per pupil allocation funding for the year ended June 30, 2022, was composed of the following:

General education	\$ 6,097,322
Facilities allowance	1,452,048
At-risk students	1,499,342
Special education and compliance	<u>234,300</u>
Total Per Pupil Allocation	<u>\$ 9,283,012</u>

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

NOTES ON FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

5. Income Not Subject to the DC Public Charter School Board Administrative Fee

The income not subject to the DC Public Charter School Board administrative fee for the year ended June 30, 2022, was composed of the following:

Elementary and Secondary School Emergency Relief (ESSER)	\$ 425,534
Donated services	39,355
ARP IDEA Grant	3,003
Interest income	746
Income from philanthropy	<u>5</u>
Total Income	<u>\$ 468,643</u>

6. Risks and Commitments

Concentration of Risk

GEC maintains its cash and cash equivalents with highly creditworthy financial institutions. At times, the aggregate balance may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2022, GEC had approximately \$9,091,000 in excess of FDIC insured limits.

Related Party

GEC is affiliated with Goodwill of Greater Washington (GGW) through common management. GGW is a tax-exempt organization under Internal Revenue Code (IRC) Section 501(c)(3). GGW was established as a provider of quality service programs to those in need of support and/or training to assume a self-sufficient role in their community. Under its Management and Administrative Support Services, Staffing and Sublicense Agreement with GGW, GEC paid GGW \$1,153,900 in management fees. Additionally, GEC was billed \$4,367,108 for reimbursable costs relating to labor and other direct costs, of which \$262,148 was outstanding as of June 30, 2022, in accordance with the terms of the agreement. This expense is reported in personnel, salaries and benefits; direct student costs; general expenses; professional and consulting fees; and dues, fees, licenses and fines in the accompanying statement of functional expenses. The accounts payable and accrued expenses in the amount of \$262,148 are reported in the accompanying statement of financial position.

Curriculum Licensing Agreement

On November 11, 2014, GGW entered into a Licensing and Services Agreement with Goodwill Education Initiatives, Inc. (GEI) for the use of GEI's intellectual property, educational expertise and other consulting services in connection with the operation of GEC. GGW sublicensed this agreement to GEC, and GEC must abide by all terms and conditions of this license agreement. Under the sublicense agreement with GGW, GEC was required to pay a start-up fee of \$50,000 to assist in the school opening, followed by annual fees. On September 1, 2017, GGW entered into a Membership Agreement with GEI replacing the existing Licensing and Services Agreement. All the services to be provided under the agreement remained the same. GGW will pay GEI a monthly fee of \$3,000. The agreement expired on July 31, 2021 and GGW extended the agreement for another three year term that will expire on July 31, 2024.

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

NOTES ON FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

6. Risks and Commitments (continued)

Child Development Center

On August 3, 2021, GEC entered into an agreement with the Young Men's Christian Association of Metropolitan Washington (YMCA) to operate an on-site child development center at GEC's two school buildings located in Washington, DC. The agreement was for one year with an expiration date of June 30, 2022, and an option to extend for four additional one-year terms.

On July 21, 2022, GEC exercised the first option extending the term through June 30, 2023. In accordance with the terms of the Second Amendment, the fee for the 2022-23 school year will be determined based on two factors: (1) whether GEC opens the child development center in its 1201 Maryland Ave SW location during 2022-23; and (2) the number of rooms in the child development center at the 1776 G Street location that are open. Based on the current number of rooms open at the 1776 G Street NW location, GEC estimates total payments to the YMCA for the 2022-23 fiscal year of \$608,316.

7. Availability and Liquidity

GEC regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. GEC's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2022, was as follows:

Cash and cash equivalents	\$ 9,224,610
Receivables	<u>1,107,631</u>
Total Financial Assets	10,332,241
Less:	
Amounts unavailable for use within one year	
Receivables related to tenant allowance	<u>(808,998)</u>
Financial Assets Available to Meet	
General Expenditures Within One Year	<u>\$ 9,523,243</u>

Management is focused on sustaining the financial liquidity of GEC throughout the year. This is done through monitoring and reviewing GEC's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of GEC's cash flow related to GEC's various funding sources and is therefore, able to ensure that there is cash available to meet current liquidity needs.

8. Contributed Services

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Contributed goods and services are recorded in the

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

NOTES ON FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

8. Contributed Services (continued)

accompanying statement of activities at their estimated fair value, which is valued at the actual costs incurred by legal counsel. Contributed goods and services included legal services in the amount of \$39,355 for the year ended June 30, 2022. All contributed goods and services are related to general and administrative activities. There were no donor imposed restrictions associated with the donated goods and services.

9. Income Taxes

Under Section 501(c)(3) of the IRC, GEC is exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2022, no provision for income taxes was made, as GEC had no net unrelated business income.

GEC adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. GEC evaluated its uncertainty in income taxes for the year ended June 30, 2022, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status; however, there are currently no examinations pending or in process. It is GEC's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

10. Reclassifications

Certain 2021 balances were reclassified to conform to the 2022 financial statements presentation.

11. Subsequent Events

GEC's management has evaluated subsequent events through November 30, 2022, the date the financial statements were available to be issued. There were no subsequent events other than the opening of the new location disclosed in Note 3 and the agreement for the Child Development Center disclosed in Note 6 that require recognition or disclosure in these financial statements.

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

To the Board of Directors of
The Goodwill Excel Center, Public Charter School

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 The Goodwill Excel Center, Public Charter School (GEC), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, 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 November 30, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GEC's internal control over financial reporting (internal control) as a basis for designing 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 GEC's internal control. Accordingly, we do not express an opinion on the effectiveness of GEC's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GEC's 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 financial statements. 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GEC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Washington, DC
November 30, 2022

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL
SCHEDULE OF AWARDED CONTRACTS EQUAL TO OR EXCEEDING \$25,000
For the Year Ended June 30, 2022

Award Date	Vendor	Type of Service	Minimum Contract Amount	Maximum Contract Amount	Conflict of Interest
10/28/2021	Rand Construction	General contractor for buildout of new location	\$ 2,107,148	\$ 2,121,185	No
6/23/2022	Goodwill of Greater Washington	Administrative and executive management services (FY 2023)	\$ 1,277,777	\$ 1,277,777	Yes*
6/16/2022	Washington Metropolitan Area Transit Authority	Student transportation farecards	\$ 200,000	\$ 250,000	No
7/30/2021	Young Men's Christian Association of Metropolitan Washington	Operation of on-site child development center (FY 2022)	\$ 579,344	\$ 1,187,655	No
1/28/2022	VS America	Furniture and installation	\$ 190,860	\$ 190,860	No
1/28/2022	Kimball International Inc.	Furniture and installation	\$ 161,129	\$ 161,129	No
2/17/2022	CDW Direct, LLC	IT equipment	\$ 138,507	\$ 138,507	No
1/6/2022	Kalothia, Inc.	Cabling and audio visual for new location	\$ 133,500	\$ 133,500	No
6/9/2022	Allied Universal Security Services	Security guard services	\$ 100,000	\$ 110,000	No
7/13/2021	Wynn Consulting Services LLC	Hospitality training	\$ 70,000	\$ 100,000	No
2/28/2022	HBW Constructions	Magnetic markerboard replacement	\$ 68,447	\$ 68,447	No
8/13/2021	Verizon Wireless	Student internet hotspots	\$ 20,000	\$ 82,016	No
8/31/2021	Verizon Wireless	Telecommunications	\$ 50,000	\$ 60,000	No
5/24/2022	The MECCA Group, LLC	Psychological and social worker services	\$ 35,000	\$ 45,000	No
6/16/2022	PowerSchool	On-line school portal subscription	\$ 25,000	\$ 40,000	No
6/28/2022	Nonprofits Insurance Alliance	Insurance	\$ 33,340	\$ 33,340	No
5/24/2022	Mid-Atlantic Children's Services	Psychological and social worker services	\$ 25,000	\$ 30,000	No
12/23/2021	Next Generation Security Concepts	Access control for new location	\$ 29,000	\$ 30,000	No
3/14/2022	Kimball International Inc.	Furniture and installation	\$ 26,836	\$ 26,836	No
6/15/2022	Nard's, Inc.	Paging system and installation	\$ 25,000	\$ 26,000	No

* *Conflicting interest contract for which all applicable DC PCSB Procurement Policy requirements have been met.*

See notes to the schedule and independent auditors' report on required regulatory information.

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

NOTE TO SCHEDULE OF AWARDED CONTRACTS EQUAL TO EXCEEDING \$25,000
For the Year Ended June 30, 2022

1. Basis of Presentation

The schedule of awarded contracts equal to or exceeding \$25,000 is required regulatory information and is reported in accordance with The DC Public Charter School Board (DC PCSB) fiscal year 2022 Audit Guidelines, Section **Audit Reports – Audit Package**.

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL
SCHEDULE OF AVERAGE USABLE SQUARE FOOTAGE
For the Year Ended June 30, 2022

Total Annual Leased Square Footage	493,028
Divided by Number of Months in Fiscal Year	<u>12</u>
Average Annual Leased Square Footage	<u><u>41,086</u></u>

See notes to the schedule and independent auditors' report on required regulatory information.

THE GOODWILL EXCEL CENTER, PUBLIC CHARTER SCHOOL

NOTE TO SCHEDULE OF AWARDED CONTRACTS EQUAL TO EXCEEDING \$25,000
For the Year Ended June 30, 2022

1. Basis of Presentation

This schedule of average usable square footage is required regulatory information and is reported in accordance with The DC Public Charter School Board (DC PCSB) fiscal year 2022 Audit Guidelines, Section ***Audit Reports – Audit Package***.