

**Draft at November 10, 2022**

**The Excel Center (for Adults)**

Financial Statements  
and Supplementary Information  
and Other Audit Report

June 30, 2022

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DRAFT

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Excel Center (for Adults)

,

### Opinion

We have audited the accompanying financial statements of The Excel Center (for Adults) (a Texas nonprofit corporation), 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 period then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Excel Center (for Adults) 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 of Opinion

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Excel Center (for Adults) 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.

### Correction of Error

As discussed in Note 3 to the financial statements, a certain error resulting in overstatement of amounts previously reported for net assets as of August 31, 2021, were discovered by management of the School during the current year. Accordingly, amounts reported for beginning net assets have been restated in the 2022 financial statements now presented. Our opinion is not modified with respect to that matter.

### Responsibilities of Management 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, 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.



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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 The Excel Center (for Adults)'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards 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 The Excel Center (for Adults)'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 The Excel Center (for Adults)'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.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 18 - 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022, on our consideration of School'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 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 School'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 School's internal control over financial reporting and compliance.

**DRAFT**

Armanino<sup>LLP</sup>  
Dallas, Texas

November 10, 2022

# Draft at November 10, 2022

## The Excel Center (for Adults) Statement of Financial Position June 30, 2022

### ASSETS

Current assets	
Cash	\$ 1,741,205
Due from State	2,363,092
Due from related party	99,602
Accounts receivable	246,980
Prepaid expenses	<u>32,748</u>
Total current assets	4,483,627
 Property and equipment, net	 <u>15,141</u>
 Total assets	 <u><u>\$ 4,498,768</u></u>

### LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 173,478
Accrued expenses	716,351
Due to related party	869
Refundable advance	<u>68,200</u>
Total current liabilities	<u>958,898</u>
 Net assets	 
Without donor restrictions	517,531
With donor restrictions	<u>3,022,339</u>
Total net assets	<u>3,539,870</u>
 Total liabilities and net assets	 <u><u>\$ 4,498,768</u></u>

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

# Draft at November 10, 2022

## The Excel Center (for Adults) Statement of Activities For the Ten Months Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Local support			
Contributions	\$ 530,943	\$ -	\$ 530,943
Donated use of facilities	604,451	-	604,451
Enterprising services and student activities	258,790	-	258,790
Total local support	<u>1,394,184</u>	<u>-</u>	<u>1,394,184</u>
State program revenues			
Foundation School Program	-	7,770,454	7,770,454
Other State aid	350	31,083	31,433
Total state program revenues	<u>350</u>	<u>7,801,537</u>	<u>7,801,887</u>
Federal program revenues			
Federal program revenues distributed by Texas			
Education Agency	-	426,546	426,546
Total federal program revenues	<u>-</u>	<u>426,546</u>	<u>426,546</u>
Net assets released from restriction	<u>6,088,768</u>	<u>(6,088,768)</u>	<u>-</u>
Total revenues	<u>7,483,302</u>	<u>2,139,315</u>	<u>9,622,617</u>
Functional expenses			
Program services			
Instruction and instructional-related services	4,267,766	-	4,267,766
Instructional and school leadership	861,204	-	861,204
Total program services	<u>5,128,970</u>	<u>-</u>	<u>5,128,970</u>
General and administrative	<u>2,363,453</u>	<u>-</u>	<u>2,363,453</u>
Total functional expenses	<u>7,492,423</u>	<u>-</u>	<u>7,492,423</u>
Change in net assets from operations	<u>(9,121)</u>	<u>2,139,315</u>	<u>2,130,194</u>
Non-operating revenues			
Other local support	<u>406,274</u>	<u>-</u>	<u>406,274</u>
Total non-operating revenues	<u>406,274</u>	<u>-</u>	<u>406,274</u>
Change in net assets	397,153	2,139,315	2,536,468
Net assets, beginning of year, as previously stated	127,795	1,084,134	1,211,929
Prior period adjustment (see Note 3)	<u>(7,417)</u>	<u>(201,110)</u>	<u>(208,527)</u>
Net assets, beginning of year, as restated	<u>120,378</u>	<u>883,024</u>	<u>1,003,402</u>
Net assets, end of year	<u>\$ 517,531</u>	<u>\$ 3,022,339</u>	<u>\$ 3,539,870</u>

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

# Draft at November 10, 2022

## The Excel Center (for Adults) Statement of Functional Expenses For the Ten Months Ended June 30, 2022

	<u>Program Services</u>			<u>Support Services</u>	
	<u>Instruction and instructional- related services</u>	<u>Instructional and school leadership</u>	<u>Total Program Services</u>	<u>General and administrative</u>	<u>Total</u>
Payroll expenses					
Salaries and wages	\$ 3,008,521	\$ 722,921	\$ 3,731,442	\$ 1,116,781	\$ 4,848,223
Employee benefits	582,131	97,999	680,130	160,855	840,985
Payroll taxes	<u>47,602</u>	<u>10,783</u>	<u>58,385</u>	<u>22,668</u>	<u>81,053</u>
Total payroll expenses	<u>3,638,254</u>	<u>831,703</u>	<u>4,469,957</u>	<u>1,300,304</u>	<u>5,770,261</u>
Non-payroll expenses					
Contract labor	111,013	3,523	114,536	178,522	293,058
Legal and professional fees	46,698	-	46,698	106,349	153,047
Travel	9,688	18,367	28,055	39,454	67,509
Depreciation	9,136	-	9,136	-	9,136
Insurance and bonding costs	-	-	-	1,523	1,523
Other	11,105	49	11,154	103,042	114,196
Supplies	399,209	7,562	406,771	29,808	436,579
Donated use of facilities	-	-	-	604,451	604,451
Utilities	<u>42,663</u>	<u>-</u>	<u>42,663</u>	<u>-</u>	<u>42,663</u>
Total non-payroll expenses	<u>629,512</u>	<u>29,501</u>	<u>659,013</u>	<u>1,063,149</u>	<u>1,722,162</u>
	<u>\$ 4,267,766</u>	<u>\$ 861,204</u>	<u>\$ 5,128,970</u>	<u>\$ 2,363,453</u>	<u>\$ 7,492,423</u>

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

# Draft at November 10, 2022

## The Excel Center (for Adults) Statement of Cash Flows For the Ten Months Ended June 30, 2022

Cash flows from operating activities	
Change in net assets	\$ 2,536,468
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	9,136
Changes in operating assets and liabilities	
Due from State	(2,142,405)
Due from related party	11,552
Accounts receivable	(246,980)
Prepaid expenses	(31,981)
Accounts payable	132,930
Accrued expenses	277,804
Due to related party	(943)
Refundable advance	<u>68,200</u>
Net cash provided by operating activities	<u>613,781</u>
Net increase in cash	613,781
Cash, beginning of year	<u>1,127,424</u>
Cash, end of year	<u><u>\$ 1,741,205</u></u>

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

# Draft at November 10, 2022

## The Excel Center (for Adults) Notes to Financial Statements June 30, 2022

### 1. NATURE OF OPERATIONS

The Excel Center (for Adults) ("the School") is a nonprofit charter school that began operations in August 2014. The School is a state-authorized, open-enrollment charter school. The contract for Charter granted by the State Board of Education of the state of Texas pursuant to Chapter 29.259 of the Texas Education Code is effective until July 2029. The Charter Holder is Goodwill Industries of Central Texas, Inc. The School is the first free, public charter high school in Austin, Texas to provide the opportunity to earn a high school diploma for individuals from 18 to 50 years of age.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

The School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The School currently has no permanently restricted net assets.

- *Net assets without donor restrictions* - represent resources available for the support of the Organization's operations that are not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - represent funds that are subject to donor restrictions which either expire with the passage of time, will be fulfilled for the intended purpose pursuant to those provisions, or are perpetual in nature.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets.

#### Change in year end

House Bill 98 enacted by the 76th Legislature of the state of Texas allowed charter schools to change their fiscal year-end from August 31 to June 30 beginning with the 2001-2002 fiscal year. The School elected to take advantage of this opportunity and chose to change its fiscal year beginning with the 2021-2022 reporting period. As such, the financial statements are presented for a ten-month period of September 1, 2021 through June 30, 2022.

# Draft at November 10, 2022

## The Excel Center (for Adults) Notes to Financial Statements June 30, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and cash equivalents

The School considers all highly liquid investment instruments with an original maturity date of three months or less from the date of purchase to be cash equivalents. There are no cash equivalents as of June 30, 2022.

#### Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts of assets and disclosures. Accordingly, actual results could differ from those estimates.

#### Receivables

The School's receivables represent amounts primarily due from the State of Texas for state and federal funding. Management considers such receivables at June 30, 2022 to be fully collectible. Accordingly, no allowance for doubtful accounts was recorded in the accompanying financial statements.

#### Contributions and promises to give

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 reported in the statements of activities as net assets released from restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized until the conditions on which they depend have been substantially met. As of June 30, 2022, the School had approximately \$204,600 of conditional funding that had not been recognized as the conditions upon which they depend upon had not been met.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

During the ten months ended June 30, 2022, the School received cash from the closing of a related school district in the amount \$406,274 that is recorded in the accompanying statement of activities as other local support.

# Draft at November 10, 2022

## The Excel Center (for Adults) Notes to Financial Statements June 30, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Contributed nonfinancial assets

The School's policy is to recognize in-kind goods when donated as revenue at fair value in the period such contribution is made or pledged. The School leases various facilities on a year to year basis at below market rental rates. The estimated values of such facilities of \$604,451 for the ten months ended June 30, 2022 have been recognized in the accompanying statement of activities. See further information in Note 9.

#### Property and equipment

Capital assets, which include furniture and equipment, are reported in the general-purpose financial statements. Capital assets are defined by the School as assets with an individual cost of more than \$5,000 and with a useful life of more than one year. Such assets are recorded at historical cost and are depreciated over the estimated useful life of the assets using the straight-line method of depreciation.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	3 years
Curriculum	10 years

Property and equipment acquired with public funds received by the School for operations constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets within the supplementary schedule.

#### Functional allocation of expenses

The costs of providing education and support services are presented on a functional basis in the statement of activities according to the function of the related expenditure as outlined by the Texas Education Agency in the Special Supplement to Financial Accounting and Reporting. The statement of functional expenses further categorizes costs according to nature based on the purpose of the expenditure as outlined by the Texas Education Agency in the Special Supplement to Financial Accounting and Reporting.

#### Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore no provision has been made for federal income taxes in the accompanying financial statements.

# Draft at November 10, 2022

## The Excel Center (for Adults) Notes to Financial Statements June 30, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income taxes (continued)

The School recognizes in its financial statements the financial effects of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. Tax positions taken related to School tax-exempt status, unrelated business income, and deductibility of expenses have been reviewed, and management is of the opinion that material positions taken by School would more likely than not be sustained upon examination. Accordingly, the School has not recorded an income tax liability for uncertain tax benefits.

#### New accounting pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and to disclose contributed nonfinancial assets. The School implemented this standard effective September 1, 2021 and determined there was not a material impact on the presentation and disclosure of contributed nonfinancial assets.

#### Subsequent events

The School has evaluated subsequent events through November 10, 2022, the date the financial statements were available to be issued. Management's review discovered no subsequent events that should be recognized or that are deemed significant enough for disclosure.

### 3. PRIOR PERIOD RESTATEMENT

During the ten months ended June 30, 2022, the School discovered it understated accrued expenses and overstated net assets by \$208,527 as of August 31, 2021, due to not correctly accruing vacation. The effect of this correction on amounts previously reported in the financial statements was to decrease beginning net assets for the ten months ended June 30, 2022 by \$208,527.

### 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The School regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

In addition to financial assets available to meet general expenses over the next 12 months, the School operates a balanced budget and anticipates collecting sufficient revenue to cover general expenses not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the School's cash and shows positive cash generated by operations for 2022.

# Draft at November 10, 2022

## The Excel Center (for Adults) Notes to Financial Statements June 30, 2022

### 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The following quantitative disclosure describes assets that are available or expected to be available within one year of June 30, 2022 to fund general expenditures and obligations as they become due:

Cash	\$ 1,741,205
Due from State	2,363,092
Due from related party	99,602
Accounts receivable	<u>246,980</u>
	<u>\$ 4,450,879</u>

As of June 30, 2022, the School has \$3,022,339 of donor restricted funds that is available to use for general expenditures in the next fiscal year.

### 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of June 30, 2022:

Furniture, equipment and curriculum	\$ 128,493
Less accumulated depreciation	<u>(113,352)</u>
	<u>\$ 15,141</u>

Depreciation expense was \$9,136 for the year ended June 30, 2022.

### 6. PENSION PLAN

#### Plan description

The School contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit plan with one exception: all risks and costs are not shared by the School, but instead are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. The charter schools are legally separate entities from the state and each other and the assets that are contributed by one charter or school district may be used for the benefit of an employee of another school district or charter. The unfunded obligations are passed along to the other charters and schools districts. There is no withdrawal penalty for leaving the System.

The Excel Center (for Adults)  
Notes to Financial Statements  
June 30, 2022

6. PENSION PLAN (continued)

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications Heading.

Funding policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action.

TRS as a multiple-employer plan is different from single-employer plans in that:

- Charters are legally separate entities from the state and each other.
- Assets contributed by one charter or Independent School District (ISD) may be used for the benefit of an employee of another ISD or charter.
- Unfunded obligations of the plan get passed along to other charters and ISDs participating in the plan.
- There is not a withdrawal penalty for leaving the TRS system.

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## The Excel Center (for Adults) Notes to Financial Statements June 30, 2022

### 6. PENSION PLAN (continued)

The following table includes the disclosures required per FASB 715-80-50-5:

Legal name of plan	Teacher Retirement System of Texas
Plan's Employer Identification Number	n/a
Zone Status	Unknown
• Total Plan Assets	\$223,172,755,137
• Accumulated Benefit Obligations	\$227,273,463,630
• % Funded	88.79%
Expiration date of the collective-bargaining agreements requiring contributions to the plan	There is not a collective bargaining agreement
Employer contributions for the period ending June 30:	\$254,508 (the School's contributions to the plan did not represent more than 5% of the total contributions to the plan)

As of the end of the period ending June 30, 2022

• Status of funding improvement plan or rehabilitation plan had been implemented or pending:	N/A
• Did employer pay surcharge to the plan?	Yes
• Contribution Rates	
* Member	7.7%
* Non-Member Contributing Entity (State)	7.5%
* Employers	7.5%

# Draft at November 10, 2022

## The Excel Center (for Adults) Notes to Financial Statements June 30, 2022

### 7. COMMITMENTS AND CONTINGENCIES

The School receives funding through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the School have complex compliance requirements and should state or federal auditors discover areas of noncompliance, the School's funds may be subject to refund if so determined by the TEA or the grantor agency.

From time to time, the School is subject to certain claims and contingent liabilities that arise in the normal course of business. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the School's financial position.

### 8. CONCENTRATIONS OF CREDIT RISK

In the normal course of operations, the School maintains cash balances on deposit at a financial institution, which, at times, may exceed federally insured limits. The School's exposure to loss, should the financial institution fail, is the excess on deposit over the insured amount covered by the Federal Deposit Insurance Corporation. The School has not experienced any losses on such accounts and management believes the School is not exposed to any significant risk.

For the period ended June 30, 2022, revenues from the Texas Education Agency accounted for \$8,228,433, which was approximately 81% of the revenues and support for the School.

### 9. RELATED PARTY

Goodwill Industries of Central Texas (GICT) is the charter holder and controlling entity of the School. GICT's support for the School includes rent-free space to house the school. GICT donates rent of the facilities to the School. To accurately reflect the transaction, revenue and expenses in the amount of \$604,451 were recorded for the ten months ended June 30, 2022. As of June 30, 2022, the School had a receivable due from GICT of \$99,602.

### 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Applied Materials grant	\$ 7,815
Foster Youth grant	2,403
Foundation School Program	<u>3,012,121</u>
	<u>\$ 3,022,339</u>

# Draft at November 10, 2022

## The Excel Center (for Adults) Notes to Financial Statements June 30, 2022

### 10. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

State and federal programs	<u>\$ 6,088,768</u>
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**Draft at November 10, 2022**

TEA REQUIRED SUPPLEMENTARY INFORMATION

The Excel Center (for Adults)  
Statement of Activities  
For the Ten Months Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022
<b>Revenues</b>			
Local support:			
573X Tuition and Fees	\$ -	\$ -	\$ -
574X Revenues from local sources	1,135,394	-	1,135,394
575X Revenues from Enterprising Services and Student Activities	258,790	-	258,790
Total local support	1,394,184	-	1,394,184
State program revenues			
581X Foundation School Program	-	7,770,454	7,770,454
582X State program revenues distributed by the Texas Education Agency	350	31,083	31,433
Total state program revenues	350	7,801,537	7,801,887
Federal program revenues			
591X Federal revenues distributed by the Education Service Centers	-	-	-
592X Federal revenues distributed by the Texas Education Agency	-	426,546	426,546
Total federal program revenues	-	426,546	426,546
Non operating revenues			
79XX Other funding sources	406,274	-	406,274
Total non operating revenues	406,274	-	406,274
Net assets released from restrictions:			
Restrictions satisfied by payments	6,088,768	(6,088,768)	-
Total revenues	7,889,576	2,139,315	10,028,891
<b>Expenses</b>			
11 Instruction	3,062,227	-	3,062,227
13 Curriculum development and instructional staff development	128,903	-	128,903
21 Instructional leadership	206,699	-	206,699
23 School leadership	654,505	-	654,505
31 Guidance, counseling and evaluation services	1,075,995	-	1,075,995
36 Cocurricular/extracurricular activities	47,242	-	47,242
41 General administration	1,141,289	-	1,141,289
51 Plant maintenance and operations	604,373	-	604,373
52 Security and monitoring services	946	-	946
53 Data processing services	22,154	-	22,154
61 Community services	548,090	-	548,090
Total expenses	7,492,423	-	7,492,423
Change in net assets	397,153	2,139,315	2,536,468
Net assets, beginning of year, as previously stated	127,795	1,084,134	1,211,929
Prior period adjustment (see Note 3)	(7,417)	(201,110)	(208,527)
Net assets, beginning of year, as restated	120,378	883,024	1,003,402
Net assets, ending of year	517,531	3,022,339	3,539,870

See accompanying independent auditor's report.

The Excel Center (for Adults)  
Schedule of Expenses  
For the Ten Months Ended June 30, 2022

	<u>Totals</u>
	<u>2022</u>
<b>Expenses</b>	
6100 Payroll costs	5,770,261
6200 Professional and contracted services	1,093,219
6300 Supplies and materials	436,579
6400 Other operating costs	<u>192,364</u>
 Total expenses	 <u><u>\$ 7,492,423</u></u>

See accompanying independent auditor's report.

The Excel Center (for Adults)  
Schedule of Capital Assets  
June 30, 2022

The schedule of capital assets as of June 30, 2022, is as follows:

	Ownership Interest			Total
	Local	State	Federal	
1549 Furniture and equipment	<u>91,141</u>	<u>37,352</u>	<u>-</u>	<u>128,493</u>
Total property and equipment	91,141	37,352	-	128,493
1573 Less accumulated depreciation	<u>(90,423)</u>	<u>(22,929)</u>	<u>-</u>	<u>(113,352)</u>
Total property and equipment, net	<u>\$ 718</u>	<u>\$ 14,423</u>	<u>\$ -</u>	<u>\$ 15,141</u>

See accompanying independent auditor's report.

The Excel Center (for Adults)  
 Budgetary Comparison Schedule  
 For the Ten Months Ended June 30, 2022

	Unaudited Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
<b>Revenues</b>				
Local support:				
574X Revenues from Charter Holder and other local sources	\$ -	\$ -	\$ -	\$ -
575X Revenues from cocurricular	-	-	-	-
Total local support	-	-	-	-
State program revenues				
581X Foundation School Program	6,569,096	6,145,000	7,770,454	1,625,454
582X State program revenues distributed by Texas Education Agency	202,553	202,553	350	(202,203)
Total state program revenues	6,771,649	6,347,553	7,770,804	1,423,251
Federal program revenues				
592X Federal revenues distributed by the Texas Education Agency	872,543	651,300	426,546	(224,754)
Total federal program revenues	872,543	651,300	426,546	(224,754)
Total revenues	7,644,192	6,998,853	8,197,350	1,198,497
<b>Expenses</b>				
11 Instruction	3,855,611	3,361,550	2,907,526	(454,024)
13 Curriculum development and instructional staff development	160,000	160,000	128,903	(31,097)
21 Instructional leadership	420,750	350,000	206,699	(143,301)
23 School leadership	607,237	672,237	627,764	(44,473)
31 Guidance, counseling and evaluation services	1,177,527	990,000	944,987	(45,013)
32 Social work services	60,000	60,000	-	(60,000)
34 Transporation	20,000	5,000	-	(5,000)
36 Cocurricular/extracurricular activities	-	-	-	-
41 General Administration	903,067	960,066	943,424	(16,642)
51 Maintenance and operations	70,000	70,000	(78)	(70,078)
52 Security and monitoring services	-	-	945	945
53 Data processing services	20,000	45,000	22,153	(22,847)
61 Community services	350,000	325,000	548,090	223,090
Total expenses	7,644,192	6,998,853	6,330,413	(668,440)
Change in net assets	-	-	1,866,937	1,866,937
Net assets, beginning of year	1,211,929	1,211,929	1,211,929	-
Net assets, ending of year	<u>\$ 1,211,929</u>	<u>\$ 1,211,929</u>	<u>\$ 3,078,866</u>	<u>\$ 1,866,937</u>

See accompanying independent auditor's report.

The Excel Center (for Adults)  
Notes to Budgetary Comparison Schedule  
For the Ten Months Ended June 30, 2022

Personnel in the business office closely monitor expenditures within the budget. Budget amendments are made as considered necessary.

The amounts listed in the Budgetary Comparison Schedule and the Notes to the Budgetary Comparison Schedule report only revenues and expenses assigned to board-approved funds. As such, the Statement of Activities, which includes all revenues and expenses for the organization, will not agree to the Budgetary Comparison Schedule.

The Excel Center (for Adults)  
Schedule of Compensatory and Bilingual Education Programs  
For the Ten Months Ended June 30, 2022

Data Codes	Section A: State Compensatory Education Programs	Responses
AP1	Did your local education agency ("LEA") expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$1,184,164
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (Program intent codes ("PIC") 24, 26, 28, 29, 30, 34)	\$657,062
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$70,494
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$41,528

See accompanying independent auditor's report.

**Draft at November 10, 2022**

**OTHER AUDIT REPORT**

DRAFT

INDEPENDENT AUDITOR'S 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  
The Excel Center (for Adults)

,

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 Excel Center (for Adults) (a Texas nonprofit corporation) (the "School"), 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 period then ended and the related notes to the financial statements, and have issued our report thereon dated November 10, 2022.

## Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-01 that we consider to be significant deficiencies.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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*.

## The Excel Center (for Adults)'s Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**DRAFT**

Armanino<sup>LLP</sup>  
Dallas, Texas

November 10, 2022

# Draft at November 10, 2022

## The Excel Center (for Adults) Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

### SECTION I - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

<b>Finding number:</b>	<b>2022-001</b>
Criteria:	A liability for accrued vacation was not properly recorded in the prior year.
Condition:	The School had calculated accrued vacation, but did not record the liability within the previously issued audited financial statements.
Cause:	During the course of the audit, it was discovered the School had understated accrued expenses and, therefore, overstated net assets by approximately \$208,000 as of August 31, 2021, due to not correctly capturing earned, but not paid employee vacation.
Effect or potential effect:	Net assets as of September 1, 2021 was overstated by approximately \$208,000 by not recording the requisite accrued vacation liability.
Recommendation:	We recommend that management evaluate any unrecorded liabilities to comply with U.S. Generally Accepted Accounting Principles.
Views of responsible officials:	Management will evaluate all accruals to comply with U.S. Generally Accepted Accounting Principles so that the financials capture all liabilities as incurred. All accruals will be evaluated for completeness by the School Business Officer each period end and all necessary accruals will be properly recorded.

### SECTION II - STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.