

ENVISION EDUCATION INC.
**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
YEAR ENDED JUNE 30, 2018

COMPRISED OF:

**CITY ARTS AND TECH HIGH SCHOOL (C.A.T. CAMPUS)
ENVISION ACADEMY OF ARTS & TECHNOLOGY (E.A. CAMPUS)
IMPACT ACADEMY OF ARTS & TECHNOLOGY (IMPACT CAMPUS)**

**ENVISION LEARNING PARTNERS
SUPPORT OFFICE
EEI 2560 DARWIN LLC**

- Tentative Report
For Discussion Purposes Only
Subject to Revision

**ENVISION EDUCATION INC.
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YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Envision Education Inc.
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Envision Education Inc. (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 on page 1 present fairly, in all material respects, the financial position of the School as of June 30, 2018, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic 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 a report dated REPORT DATE on our consideration of the 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 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 on the 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 the School's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

ENVISION EDUCATION INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS	C.A.T. Campus	E.A. Campus	Impact Campus	Envision Learning Partners	Support Office	EEI 2560 Darwin LLC	Eliminations	Total
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 270,935	\$ 345,460	\$ 487,390	\$ 787,230	\$ 590,114	\$ 223,126	\$ -	\$ 2,704,255
Accounts and Grants Receivable	507,752	713,860	1,102,550	497,712	19,306	-	-	2,841,180
Intercompany Receivables	900,822	1,221,594	1,066,801	141,700	-	-	-	3,330,917
Prepaid Expenses and Other Assets	5,292	36,311	14,288	-	339,291	-	-	395,182
Total Current Assets	<u>1,684,801</u>	<u>2,317,225</u>	<u>2,671,029</u>	<u>1,426,642</u>	<u>948,711</u>	<u>223,126</u>	<u>-</u>	<u>9,271,534</u>
LONG-TERM ASSETS								
Property, Plant, and Equipment, Net	90,064	395,471	562,693	8,653	46,995	6,680,756	-	7,784,632
Total Long-Term Assets	<u>90,064</u>	<u>395,471</u>	<u>562,693</u>	<u>8,653</u>	<u>46,995</u>	<u>6,680,756</u>	<u>-</u>	<u>7,784,632</u>
Total Assets	<u>\$ 1,774,865</u>	<u>\$ 2,712,696</u>	<u>\$ 3,233,722</u>	<u>\$ 1,435,295</u>	<u>\$ 995,706</u>	<u>\$ 6,903,882</u>	<u>\$ -</u>	<u>\$ 17,056,166</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts Payable and Accrued Liabilities	\$ 183,856	\$ 274,361	\$ 422,162	\$ 121,249	\$ 229,735	\$ 1,500	\$ -	\$ 1,232,863
Intercompany Payables	-	-	-	-	3,330,917	-	-	3,330,917
Deferred Rent	10,760	59,827	35,056	-	70,192	-	-	175,835
Capital Lease, Current Portion	-	-	-	-	44,588	-	-	44,588
Long-Term Debt, Current Portion	129,087	-	-	-	-	200,062	-	329,149
Total Current Liabilities	<u>323,703</u>	<u>334,188</u>	<u>457,218</u>	<u>121,249</u>	<u>3,675,432</u>	<u>201,562</u>	<u>-</u>	<u>5,113,352</u>
LONG-TERM LIABILITIES								
Capital Lease, Net Current Portion	-	-	-	-	46,392	-	-	46,392
Long-Term Debt, Net Current Portion	762,441	-	-	-	-	4,750,382	-	5,512,823
Total Long-Term Liabilities	<u>762,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,392</u>	<u>4,750,382</u>	<u>-</u>	<u>5,559,215</u>
NET ASSETS								
Unrestricted	438,938	2,190,233	2,729,529	1,314,046	(2,726,118)	1,951,938	-	5,898,566
Temporarily Restricted	249,783	188,275	46,975	-	-	-	-	485,033
Total Net Assets	<u>688,721</u>	<u>2,378,508</u>	<u>2,776,504</u>	<u>1,314,046</u>	<u>(2,726,118)</u>	<u>1,951,938</u>	<u>-</u>	<u>6,383,599</u>
Total Liabilities and Net Assets	<u>\$ 1,774,865</u>	<u>\$ 2,712,696</u>	<u>\$ 3,233,722</u>	<u>\$ 1,435,295</u>	<u>\$ 995,706</u>	<u>\$ 6,903,882</u>	<u>\$ -</u>	<u>\$ 17,056,166</u>

See accompanying Notes to Financial Statements.

**ENVISION EDUCATION INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	C.A.T. Campus	E.A. Campus	Impact Campus	Envision Learning Partners	Support Office	EEI 2560 Darwin LLC	Eliminations	Total
UNRESTRICTED NET ASSETS:								
REVENUES								
State Revenue:								
State Apportionment	\$ 619,182	\$ 3,235,193	\$ 4,831,719	\$ -	\$ -	\$ -	\$ -	\$ 8,686,094
Other State Revenue	303,663	691,522	877,829	-	10,935	-	-	1,883,949
Federal Revenue:								
Grants and Entitlements	169,811	195,356	249,617	-	-	-	-	614,784
Local Revenue:								
In-Lieu Property Tax Revenue	2,193,466	875,910	1,848,187	-	-	-	-	4,917,563
Contributions	2,712	4,158	346,656	1,093,673	745,228	-	-	2,192,427
Other Revenue	398,574	406,008	63,120	994,236	52,907	480,000	-	2,394,845
Net Assets Released from Restriction	18,995	78,193	178,260	-	275,448	-	-	550,896
Total Revenues, Net	<u>3,706,403</u>	<u>5,486,340</u>	<u>8,395,388</u>	<u>2,087,909</u>	<u>1,084,518</u>	<u>480,000</u>	<u>-</u>	<u>21,240,558</u>
EXPENSES								
Program Services	3,317,080	4,233,781	5,961,190	1,295,518	81,108	532,671	-	15,421,348
Management and General	-	-	-	-	3,434,184	2,883	-	3,437,067
Total Expenses	<u>3,317,080</u>	<u>4,233,781</u>	<u>5,961,190</u>	<u>1,295,518</u>	<u>3,515,292</u>	<u>535,554</u>	<u>-</u>	<u>18,858,415</u>
CHANGE IN UNRESTRICTED NET ASSETS	389,323	1,252,559	2,434,198	792,391	(2,430,774)	(55,554)	-	2,382,143
TEMPORARILY RESTRICTED NET ASSETS:								
State Revenue:								
Other State Revenue	268,778	266,468	218,075	-	-	-	-	753,321
Net Assets Released from Restriction	(18,995)	(78,193)	(178,260)	-	(275,448)	-	-	(550,896)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	249,783	188,275	39,815	-	(275,448)	-	-	202,425
TRANSFERS	(550,788)	(709,244)	(996,190)	(450,000)	2,706,222	-	-	-
CHANGE IN TOTAL NET ASSETS	88,318	731,590	1,477,823	342,391	-	(55,554)	-	2,584,568
Net Unrestricted Assets - Beginning of Year	600,403	1,646,918	1,298,681	971,655	(2,726,118)	2,007,492	-	3,799,031
NET UNRESTRICTED ASSETS - END OF YEAR	<u>\$ 688,721</u>	<u>\$ 2,378,508</u>	<u>\$ 2,776,504</u>	<u>\$ 1,314,046</u>	<u>\$ (2,726,118)</u>	<u>\$ 1,951,938</u>	<u>\$ -</u>	<u>\$ 6,383,599</u>

See accompanying Notes to Financial Statements.

**ENVISION EDUCATION INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	C.A.T. Campus	E.A. Campus	Impact Campus	Envision Learning Partners	Support Office	EEI 2560 Darwin LLC	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets	\$ 88,318	\$ 731,590	\$ 1,477,823	\$ 342,391	\$ -	\$ (55,554)	\$ 2,584,568
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:							
Depreciation	37,609	144,106	129,893	2,137	31,472	351,619	696,836
(Increase) Decrease in Assets:							
Accounts and Grants Receivable	(229,789)	(170,780)	(341,376)	(313,798)	(16,692)	-	(1,072,435)
Intercompany Receivables	260,274	(693,441)	(883,833)	537,592	-	-	(779,408)
Prepaid Expenses and Other Assets	3,796	(23,920)	5,119	-	(242,557)	-	(257,562)
Increase (Decrease) in Liabilities:							
Accounts Payable and Accrued Liabilities	(14,810)	91,678	(77,841)	12,277	45,625	(103,255)	(46,326)
Intercompany Payables	-	-	-	-	779,408	-	779,408
Deferred Rent	1,929	7,613	16,778	-	18,407	-	44,727
Net Cash Provided by Operating Activities	<u>147,327</u>	<u>86,846</u>	<u>326,563</u>	<u>580,599</u>	<u>615,663</u>	<u>192,810</u>	<u>1,949,808</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of Property, Plant, and Equipment	<u>(27,386)</u>	<u>(73,430)</u>	<u>(381,586)</u>	<u>(6,691)</u>	<u>(16,626)</u>	<u>(2,647,414)</u>	<u>(3,153,133)</u>
Net Cash Used by Investing Activities	<u>(27,386)</u>	<u>(73,430)</u>	<u>(381,586)</u>	<u>(6,691)</u>	<u>(16,626)</u>	<u>(2,647,414)</u>	<u>(3,153,133)</u>
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from Debt	-	-	-	-	-	2,777,185	2,777,185
Repayments of Debt	<u>(128,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,277)</u>	<u>(126,608)</u>	<u>(312,663)</u>
Net Cash Provided (Used) by Financing Activities	<u>(128,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,277)</u>	<u>2,650,577</u>	<u>2,464,522</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS							
	(8,837)	13,416	(55,023)	573,908	541,760	195,973	1,261,197
Cash and Cash Equivalents - Beginning of Year	<u>279,772</u>	<u>332,044</u>	<u>542,413</u>	<u>213,322</u>	<u>48,354</u>	<u>27,153</u>	<u>1,443,058</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 270,935</u>	<u>\$ 345,460</u>	<u>\$ 487,390</u>	<u>\$ 787,230</u>	<u>\$ 590,114</u>	<u>\$ 223,126</u>	<u>\$ 2,704,255</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION							
Cash Paid for Interest	<u>\$ 13,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,620</u>	<u>\$ 180,935</u>	<u>\$ 200,259</u>

See accompanying Notes to Financial Statements.

ENVISION EDUCATION INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Total Expenses
Salaries and Wages	\$ 8,578,233	\$ 2,083,782	10,662,015
Pension Expense	1,028,129	138,019	1,166,148
Other Employee Benefits	868,939	240,394	1,109,333
Payroll Taxes	273,975	118,284	392,259
Management Fees	126,854	-	126,854
Legal Expenses	2,073	13,475	15,548
Accounting Expenses	15,255	11,835	27,090
Instructional Materials	294,228	74,987	369,215
Other Fees for Services	801,865	37,469	839,334
Advertising and Promotion Expenses	9,965	12,210	22,175
Office Expenses	319,566	102,337	421,903
Information Technology Expenses	77,814	95,105	172,919
Occupancy Expenses	1,521,695	158,977	1,680,672
Travel Expenses	174,338	38,130	212,468
Conference and Meeting Expenses	9,102	2,714	11,816
Interest Expense	194,769	5,490	200,259
Depreciation Expense	666,090	30,746	696,836
Insurance Expense	85,430	11,798	97,228
Other Expenses	373,029	261,314	634,343
	<u>\$ 15,421,348</u>	<u>\$ 3,437,067</u>	<u>\$ 18,858,415</u>
Total			

See accompanying Notes to Financial Statements.

ENVISION EDUCATION INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Founded in 2001, Envision Education Inc. (the School) is a nonprofit charter management organization that operated free innovative college-preparatory high schools during the fiscal year ended June 30, 2018. Those schools educated diverse student bodies, especially first-generation college-bound youth. The School models innovative and successful high school design through its schools and brings that model to the larger educational community through Envision Learning Partners.

The School has been granted charters by the San Francisco Unified School District, Alameda County Office of Education, and the Hayward Unified School District (collectively, the Authorizers). These charters, among other matters, call for the Authorizers and the School to enter into mutually agreeable memoranda of understanding regarding the School funding entitlements pursuant to Education Code Section 47612 and 47613.5, to define the operational and oversight arrangements between the Authorizers and the School, and to define and resolve matters of mutual interest. Each Envision school is academically rigorous and integrates art and technology across the curriculum to instill the critical thinking, life experience, and creative skills necessary for students to be successful in college and beyond. During the fiscal year, the School operated three schools in the Bay area including one in San Francisco, one in Oakland, and one in Hayward, California.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Functional Allocation of Expenses

Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

Net Asset Classes

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the School are defined as:

Unrestricted

All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.

ENVISION EDUCATION INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes (Continued)

Temporarily Restricted

These net assets are restricted by donors to be used for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. There were temporarily restricted net assets of \$481,453 as of June 30, 2018.

Permanently Restricted

These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

Cash and Cash Equivalents

The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

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 the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Receivables

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2018. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

Compensated Absences

At June 30, 2018, the School accrues a liability for unused vacation. The School recognizes sick leave as an expense as it is used and does not pay for unused sick leave upon termination. Therefore, no liability for sick leave is recognized in the financial statements.

ENVISION EDUCATION INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Revenue Recognition

Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Income Taxes

The School is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Allocations Between Charter Schools

For the year ended June 30, 2018, the School has chosen to identify each charter school separately within the basic financial statements. In cases where specific identification of each charter's activities was not possible, items were allocated according to ADA.

**ENVISION EDUCATION INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The School has evaluated subsequent events through REPORT DATE, the date these financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

The School maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements are presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Depreciation expense was \$696,836 for the year ended June 30, 2018.

The components of property, plant, and equipment as of June 30, 2018 are as follows:

Buildings and Improvements	\$ 8,362,509
Equipment, Furniture and Fixtures	4,043,694
Total	12,406,203
Less: Accumulated Depreciation	(4,621,571)
Total Property, Plant, and Equipment	\$ 7,784,632

NOTE 4 LONG-TERM DEBT

Capital Lease

The School entered into lease purchase programs to finance the acquisition of computer equipment for use at its schools and the Support Office over three years at interest rates of 4.90% and 4.04%, respectively. The following is a schedule of future minimum lease payments required under the capital lease:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 48,268
2020	48,268
Subtotal	96,536
Less: Interest Portion	(5,556)
Total	\$ 90,980

**ENVISION EDUCATION INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 LONG-TERM DEBT (CONTINUED)

California School Finance Authority

The School received Proposition 55 (Prop 55) funds in May 2006 in the amount of \$1,287,519 for building new facilities. The Prop 55 funds were allocated on a basis that 50% were grant funds and 50% was to be a loan. The grant share has an interest rate of 0.261% per annum and the other 50% of the loan has a 2.00% interest rate per annum. Effective August 15, 2013, the School was notified that the entire amount, \$1,287,519, will have to be paid back to the state of California.

Pacific Charter Schools Development

The School received a \$1,800,000 loan bearing a 2% interest rate for building new facilities. The School will be making blended principal and interest payments over a 25-year amortization term. After seven years, the School is required to pay off the entire remaining principal amount.

Capital Impact Partners

The School received a \$3,700,000 draw construction bridge loan bearing a 6% interest rate for building new facilities. The School has drawn \$3,277,052 as of June 30, 2018. The amount outstanding at June 30, 2018 was \$3,197,087 and has a maturity date of July 2024.

The future repayments on long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 329,149
2020	338,727
2021	344,472
2022	741,472
2023	244,069
Thereafter	3,844,083
Total	<u>\$ 5,841,972</u>

ENVISION EDUCATION INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 EMPLOYEE RETIREMENT

Defined Contribution Plan

The School has a 403(b) defined contributions retirement plan that covers all eligible employees. Employee contributions are matched by the School on a 1:1 basis up to a maximum of 3.00% of the participating employees' salaries. Contributions approximated \$36,194 for the year ended June 30, 2018.

Multi-Employer Defined Benefit Pension Plans

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the state of California.

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total STRS plan net assets are \$210 billion, the total actuarial present value of accumulated plan benefits is \$362 billion, contributions from all employers totaled \$4.2 billion, and the plan is 62.6% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826, and www.calstrs.com.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for the year ended June 30, 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

**ENVISION EDUCATION INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 EMPLOYEE RETIREMENT

State Teachers' Retirement System (STRS)

Funding Policy

The School's contributions to STRS for the past three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2016	\$ 681,057	100 %
2017	925,097	100
2018	1,129,954	100

NOTE 6 OPERATING LEASES

The School leases facilities and equipment under several lease agreements where the last lease expires in November of 2037. Lease payments under these agreements for the year ended June 30, 2018 totaled \$686,153.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 1,185,640
2020	1,208,084
2021	1,229,987
2022	1,058,554
2023	611,178
Thereafter	7,770,701
Total	<u>\$ 13,064,144</u>

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of entitlements received but not expended as of June 30, 2018. At June 30, 2018, the School's temporarily restricted net assets consisted of \$481,453 in funding from the Proposition 39 – California Clean Energy Jobs Act.

ENVISION EDUCATION INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 PARTICIPATION IN JOINT POWERS AUTHORITY

The School entered into a Joint Powers Agreement (JPA) known as CharterSafe a self-insurance plan for workers' compensation, property/casualty, and school board liability insurance. CharterSafe is governed by a board consisting of a representative from each member organization. The board controls the operation of CharterSafe including selection of management and approval of operating budgets, independent of any influence by the member organizations beyond their representation on the board. Each member organization pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in CharterSafe. CharterSafe is a separate entity which is audited by an independent accounting firm.

NOTE 9 CONTINGENCIES

The School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

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**ENVISION EDUCATION INC.
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2018**

Envision Education Inc. (the School) was established in 2003, it was granted its charter for City Arts and Tech High through the San Francisco Unified School District (the District); for Envision Academy for Arts & Technology from Alameda County Office of Education; for Impact Academy of Arts & Technology from Hayward Unified; and its charter school status from the California Department of Education. The charters may be revoked by the District's and County for material violations of the charters, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Charter School numbers authorized by the State are:

- City Arts and Tech High – 599
- Envision Academy for Arts & Technology – 811
- Impact Academy of Arts & Technology – 836

The board of directors and the administrators as of the year ended June 30, 2018 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3-Year Term)</u>
Gia Truong	CEO/Superintendent	Indefinite
Kathi Burke	Board Chairperson	June 2019
Mark Daoust	Board Vice Chairperson	June 2029
Mark Yowe	Secretary/Treasurer	June 2019
Keysha Bailey	Member	June 2019
Parker Blackman	Member	June 2019
Marjorie Goux	Member	June 2019
Larry Hancock	Member	June 2021
Akil Hollis	Member	June 2021
Gay Hoagland	Member	June 2020
Phil Johnston	Member	June 2020
Bob Lenz	Co-Founder/Member	June 2020
Susan Portugal	Member	June 2021

ADMINISTRATORS

Gia Truong	CEO/Superintendent
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**ENVISION EDUCATION INC.
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018**

	Instructional Minutes		Traditional Calendar	Status
	Requirement	Actual	Days	
City Art and Technology High School				
Grade 9	64,800	64,860	180	In compliance
Grade 10	64,800	64,860	180	In compliance
Grade 11	64,800	64,860	180	In compliance
Grade 12	64,800	64,860	180	In compliance
Envision Academy of Arts and Technology				
Grade 9	64,800	64,980	180	In compliance
Grade 10	64,800	64,980	180	In compliance
Grade 11	64,800	64,980	180	In compliance
Grade 12	64,800	64,980	180	In compliance
Impact Academy of Arts and Technology				
Grade 7	54,000	63,700	180	In compliance
Grade 8	54,000	63,700	180	In compliance
Grade 9	54,000	66,875	180	In compliance
Grade 10	64,800	66,875	180	In compliance
Grade 11	64,800	66,875	180	In compliance
Grade 12	64,800	66,875	180	In compliance

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ENVISION EDUCATION INC.
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
City Art and Technology High School Grades 9-12	270.76	271.39	266.64	267.36
Envision Academy of Arts and Technology Grades 9-12	378.75	379.20	372.56	373.13
Impact Academy of Arts and Technology Grades 7-8	234.60	234.60	234.19	234.19
Grades 9-12	439.50	439.50	438.18	438.18
ADA Totals	1,323.61	1,324.69	1,311.57	1,312.86

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ENVISION EDUCATION INC.
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

	<u>C.A.T. Campus</u>	<u>E.A. Campus</u>	<u>Impact Campus</u>
June 30, 2018 Annual Financial Report Fund Balances (Net Assets)	\$ 686,173	\$ 1,776,343	\$ 2,657,202
Adjustments and Reclassifications:			
Increase (Decrease) of Fund Balance (Net Assets):			
Accounts Receivable	2,548	661,992	(66,948)
Property, Plant, and Equipment, Net	-	-	(270,968)
Deferred Rent	-	(59,827)	-
Notes Payable	-	-	457,218
Net Adjustments and Reclassifications	<u>2,548</u>	<u>602,165</u>	<u>119,302</u>
June 30, 2018 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 688,721</u>	<u>\$ 2,378,508</u>	<u>\$ 2,776,504</u>

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ENVISION EDUCATION INC.
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of California Education Code.

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited consolidated financial statements.

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**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***

Board of Directors
Envision Education Inc.
Oakland, California

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 consolidated financial statements of Envision Education Inc. (the School), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated REPORT DATE.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated 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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Envision Education Inc.
Oakland, California

We have audited Envision Education Inc.'s (the School) compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2018. The School's state compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for the compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the School's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instructional/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

**ENVISION EDUCATION INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

All audit findings must be identified as one or more of the following categories:

<u>Five-Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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**ENVISION EDUCATION INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

There were no findings in the prior year.

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