

ENVISION EDUCATION INC.
**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
YEAR ENDED JUNE 30, 2020

COMPRISED OF:

CITY ARTS AND TECH HIGH SCHOOL (C.A.T. CAMPUS) - #599
ENVISION ACADEMY OF ARTS & TECHNOLOGY
(E.A. CAMPUS) - #811
IMPACT ACADEMY OF ARTS & TECHNOLOGY
(IMPACT CAMPUS) - #836

ENVISION LEARNING PARTNERS
SUPPORT OFFICE
EEI 2560 DARWIN LLC



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CONSULTING

**ENVISION EDUCATION INC.
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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 consolidated 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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to on page 1 present fairly, in all material respects, the financial position of the School as of June 30, 2020, 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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The information presented on the face of the statements of financial position, activities, functional expenses, and cash flows and the accompanying supplementary schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 November 25, 2020 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
November 25, 2020

ENVISION EDUCATION INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	C.A.T. Campus	E.A. Campus	Impact Campus	Envision Learning Partners	Support Office	EEI 2560 Darwin LLC	Eliminations	Total
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 407,480	\$ 1,476,348	\$ 2,496,097	\$ 1,226,481	\$ 241,603	\$ 327,564	\$ -	\$ 6,175,573
Accounts and Grants Receivable	399,892	1,006,833	1,171,295	305,954	3,251	-	-	2,887,225
Intercompany Receivables	-	346,023	1,536,413	-	-	-	(1,882,436)	-
Prepaid Expenses and Other Assets	3,451	3,451	10,747	-	72,608	-	-	90,257
Total Current Assets	<u>810,823</u>	<u>2,832,655</u>	<u>5,214,552</u>	<u>1,532,435</u>	<u>317,462</u>	<u>327,564</u>	<u>(1,882,436)</u>	<u>9,153,055</u>
LONG-TERM ASSETS								
Property, Plant, and Equipment, Net	133,753	342,453	391,717	2,933	11,219	5,977,519	-	6,859,594
Total Long-Term Assets	<u>133,753</u>	<u>342,453</u>	<u>391,717</u>	<u>2,933</u>	<u>11,219</u>	<u>5,977,519</u>	<u>-</u>	<u>6,859,594</u>
Total Assets	<u>\$ 944,576</u>	<u>\$ 3,175,108</u>	<u>\$ 5,606,269</u>	<u>\$ 1,535,368</u>	<u>\$ 328,681</u>	<u>\$ 6,305,083</u>	<u>\$ (1,882,436)</u>	<u>\$ 16,012,649</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts Payable and Accrued Liabilities	\$ 165,502	273,566	\$ 353,248	\$ 134,828	\$ 165,944	\$ 5,250	\$ -	\$ 1,098,338
Intercompany Payables	-	-	-	-	1,882,436	-	(1,882,436)	-
Deferred Rent	6,344	42,210	63,931	-	57,418	-	-	169,903
Deferred Revenue	-	11,500	-	-	200,000	-	-	211,500
Long-Term Debt, Current Portion	123,661	-	-	-	-	220,814	-	344,475
Total Current Liabilities	<u>295,507</u>	<u>327,276</u>	<u>417,179</u>	<u>134,828</u>	<u>2,305,798</u>	<u>226,064</u>	<u>(1,882,436)</u>	<u>1,824,216</u>
LONG-TERM LIABILITIES								
Long-Term Debt, Net Current Portion	520,099	-	-	-	749,000	4,319,906	-	5,589,005
Total Long-Term Liabilities	<u>520,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>749,000</u>	<u>4,319,906</u>	<u>-</u>	<u>5,589,005</u>
NET ASSETS								
Without Donor Restriction	82,352	2,841,777	5,179,075	1,400,540	(2,916,414)	1,759,113	-	8,346,443
With Donor Restriction	46,618	6,055	10,015	-	190,297	-	-	252,985
Total Net Assets	<u>128,970</u>	<u>2,847,832</u>	<u>5,189,090</u>	<u>1,400,540</u>	<u>(2,726,117)</u>	<u>1,759,113</u>	<u>-</u>	<u>8,599,428</u>
Total Liabilities and Net Assets	<u>\$ 944,576</u>	<u>\$ 3,175,108</u>	<u>\$ 5,606,269</u>	<u>\$ 1,535,368</u>	<u>\$ 328,681</u>	<u>\$ 6,305,083</u>	<u>\$ (1,882,436)</u>	<u>\$ 16,012,649</u>

See accompanying Notes to Financial Statements.

**ENVISION EDUCATION INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	C.A.T. Campus	E.A. Campus	Impact Campus	Envision Learning Partners	Support Office	EEI 2560 Darwin LLC	Eliminations	Total
NET ASSETS WITHOUT DONOR RESTRICTION:								
REVENUES								
State Revenue:								
State Apportionment	\$ 1,675,745	\$ 3,638,875	\$ 6,036,677	\$ -	\$ -	\$ -	\$ -	\$ 11,351,297
Other State Revenue	188,678	655,999	1,022,376	-	1,332	-	-	1,868,385
Federal Revenue:								
Grants and Entitlements	123,919	344,158	355,174	-	-	-	-	823,251
Local Revenue:								
In-Lieu Property Tax Revenue	980,681	977,512	2,462,209	-	-	-	-	4,420,402
Contributions	-	843,842	5,558	738,616	1,259,274	-	-	2,847,290
Other Revenue	166,310	443,709	83,941	1,224,320	63,736	480,000	(480,000)	1,982,016
Net Assets Released from Restriction	19,793	14,976	150	82,366	50,000	-	-	167,285
Total Revenues, Net	<u>3,155,126</u>	<u>6,919,071</u>	<u>9,966,085</u>	<u>2,045,302</u>	<u>1,374,342</u>	<u>480,000</u>	<u>(480,000)</u>	<u>23,459,926</u>
EXPENSES								
Program Services	3,113,877	5,558,459	6,790,582	1,828,052	855,722	-	(480,000)	17,666,692
Management and General	139,529	230,301	222,512	21,692	3,351,794	574,333	-	4,540,161
Fundraising	-	-	-	-	47,505	-	-	47,505
Total Expenses	<u>3,253,406</u>	<u>5,788,760</u>	<u>7,013,094</u>	<u>1,849,744</u>	<u>4,255,021</u>	<u>574,333</u>	<u>(480,000)</u>	<u>22,254,358</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	(98,280)	1,130,311	2,952,991	195,558	(2,880,679)	(94,333)	-	1,205,568
NET ASSETS WITH DONOR RESTRICTION:								
Local Revenue:								
Contributions	-	-	-	-	190,297	-	-	190,297
Net Assets Released from Restriction	(19,793)	(14,976)	(150)	(82,366)	(50,000)	-	-	(167,285)
CHANGE IN NET ASSETS WITH DONOR RESTRICTION	(19,793)	(14,976)	(150)	(82,366)	140,297	-	-	23,012
TRANSFERS	58,676	(1,246,917)	(1,763,949)	(113,192)	3,065,382	-	-	-
CHANGE IN TOTAL NET ASSETS	(59,397)	(131,582)	1,188,892	-	325,000	(94,333)	-	1,228,580
Net Assets - Beginning of Year	188,367	2,979,414	4,000,198	1,400,540	(3,051,117)	1,853,446	-	7,370,848
NET ASSETS - END OF YEAR	<u>\$ 128,970</u>	<u>\$ 2,847,832</u>	<u>\$ 5,189,090</u>	<u>\$ 1,400,540</u>	<u>\$ (2,726,117)</u>	<u>\$ 1,759,113</u>	<u>\$ -</u>	<u>\$ 8,599,428</u>

See accompanying Notes to Financial Statements.

ENVISION EDUCATION INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Fundraising	Eliminations	Total Expenses
Salaries and Wages	\$ 10,743,150	\$ 2,358,253	\$ -	\$ -	\$ 13,101,403
Pension Expense	1,506,529	202,772	-	-	1,709,301
Other Employee Benefits	1,125,097	229,974	-	-	1,355,071
Payroll Taxes	334,767	126,016	-	-	460,783
Management Fees	143,960	-	-	-	143,960
Legal Expenses	-	38,901	-	-	38,901
Accounting Expenses	24,186	17,089	-	-	41,275
Instructional Materials	306,232	79,628	-	-	385,860
Other Fees for Services	825,389	14,423	-	(480,000)	359,812
Advertising and Promotion Expenses	28,551	26,389	-	-	54,940
Office Expenses	468,528	145,324	-	-	613,852
Information Technology Expenses	125,211	101,785	-	-	226,996
Occupancy Expenses	1,650,237	176,553	-	-	1,826,790
Travel Expenses	144,964	14,874	-	-	159,838
Conference and Meeting Expenses	(240)	(43)	-	-	(283)
Interest Expense	10,719	219,746	-	-	230,465
Depreciation Expense	419,742	412,485	-	-	832,227
Insurance Expense	-	143,533	-	-	143,533
Other Expenses	289,670	232,459	47,505	-	569,634
Subtotal	18,146,692	4,540,161	47,505	(480,000)	22,254,358
Eliminations	(480,000)	-	-	480,000	-
Total Functional Expenses	<u>\$ 17,666,692</u>	<u>\$ 4,540,161</u>	<u>\$ 47,505</u>	<u>\$ -</u>	<u>\$ 22,254,358</u>

See accompanying Notes to Financial Statements.

**ENVISION EDUCATION INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	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	\$ (59,397)	\$ (131,582)	\$ 1,188,892	\$ -	\$ 325,000	\$ (94,333)	\$ 1,228,580
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:							
Depreciation	113,743	194,740	154,301	2,747	15,077	351,619	832,227
(Increase) Decrease in Assets:							
Accounts and Grants Receivable	71,495	(222,590)	105,278	164,564	1,335	80,000	200,082
Intercompany Receivables	91,068	703,697	1,346,776	-	-	-	2,141,541
Prepaid Expenses and Other Assets	1,151	1,151	(1,543)	-	1,152	-	1,911
Increase (Decrease) in Liabilities:							
Accounts Payable and Accrued Liabilities	(142,408)	(124,405)	(67,620)	(46,220)	(33,078)	3,750	(409,981)
Intercompany Payables	-	-	(1,348,970)	-	(792,571)	-	(2,141,541)
Deferred Rent	(3,587)	(14,392)	13,642	-	(9,853)	-	(14,190)
Deferred Revenue	-	11,500	-	-	(125,000)	-	(113,500)
Net Cash Provided (Used) by Operating Activities	<u>72,065</u>	<u>418,119</u>	<u>1,390,756</u>	<u>121,091</u>	<u>(617,938)</u>	<u>341,036</u>	<u>1,725,129</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of Property, Plant, and Equipment	(8,368)	(22,675)	(15,974)	-	-	-	(47,017)
Net Cash Used by Investing Activities	<u>(8,368)</u>	<u>(22,675)</u>	<u>(15,974)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,017)</u>
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from Debt	-	-	-	-	749,000	-	749,000
Repayments of Debt	(128,589)	-	-	-	(46,392)	(209,663)	(384,644)
Net Cash Provided (Used) by Financing Activities	<u>(128,589)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>702,608</u>	<u>(209,663)</u>	<u>364,356</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(64,892)	395,444	1,374,782	121,091	84,670	131,373	2,042,468
Cash and Cash Equivalents - Beginning of Year	<u>472,372</u>	<u>1,080,904</u>	<u>1,121,315</u>	<u>1,105,390</u>	<u>156,933</u>	<u>196,191</u>	<u>4,133,105</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 407,480</u>	<u>\$ 1,476,348</u>	<u>\$ 2,496,097</u>	<u>\$ 1,226,481</u>	<u>\$ 241,603</u>	<u>\$ 327,564</u>	<u>\$ 6,175,573</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION							
Cash Paid for Interest	\$ 13,080	\$ -	\$ -	\$ -	\$ 1,876	\$ 215,507	\$ 230,463

See accompanying Notes to Financial Statements.

ENVISION EDUCATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020. 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.

Principles of Consolidation

The consolidated financial statements include the accounts of Envision Education, Inc. which is comprised of three charter schools, City Arts and Tech High School, Envision Academy of Arts & Technology and Impact Academy of Arts & Technology, a Support Office, Envision Learning Partners, and EEI 2560 Darwin LLC. EEI 2560 Darwin LLC is wholly owned by Envision Foundation. All material intercompany transactions have been eliminated.

Basis of Accounting

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

Basis of Presentation

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

Use of Estimates

The preparation of consolidated 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.

ENVISION EDUCATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, printing and postage, information technology, and other expenses, which are allocated on the basis of estimates of time and effort.

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.

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2020. 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, value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

Compensated Absences

At June 30, 2020, 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 consolidated financial statements.

ENVISION EDUCATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

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 conditional and 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 net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction. Amounts received from fee for service are recognized upon completion of each obligation and are reported in other revenue on the statement of activities. Revenue is recognized over time.

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. 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 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.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as Deferred Revenues in the statement of financial position. As of June 30, 2020, the School has received conditional grants which is remaining award amounts of \$211,500 that are recognized as Deferred Revenue in the statement of financial position because conditions have not yet been met.

ENVISION EDUCATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files and exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Allocations Between Charter Schools

For the year ended June 30, 2020, the School has chosen to identify each charter school separately within the basic consolidated financial statements. In cases where specific-identification of each charter's activities was not possible, items were allocated according to ADA.

Evaluation of Subsequent Events

The School has evaluated subsequent events through November 25, 2020, the date these consolidated financial statements were available to be issued.

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenues from Contracts with Customers (Topic 606)*. The update establishes the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The School has implemented ASU 2014-09.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The School has implemented ASU 2018-08.

ENVISION EDUCATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. As of June 30, 2020, financial assets available for general expenditures are comprised of the following:

Cash and Cash Equivalents	\$ 6,175,573
Accounts Receivables	2,887,225
Less: Net Assets with Donor Restrictions	<u>(252,985)</u>
Financial Assets Available for General Expenditure	<u><u>\$ 8,809,813</u></u>

As part of the School's liquidity management plan, the School invests cash in excess of daily requirements in short term investments, CDs, and money market funds.

NOTE 3 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 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying consolidated 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 \$832,227 for the year ended June 30, 2020.

The components of property, plant, and equipment as of June 30, 2020 are as follows:

Buildings and Improvements	\$ 8,726,435
Equipment, Furniture and Fixtures	4,338,142
Total	<u>13,064,577</u>
Less: Accumulated Depreciation	<u>(6,204,983)</u>
Total Property, Plant, and Equipment	<u><u>\$ 6,859,594</u></u>

ENVISION EDUCATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 LONG-TERM DEBT

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. The amount outstanding at June 30, 2020 was \$643,760.

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. The amount outstanding at June 30, 2020 was \$1,638,195.

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, 2020. The amount outstanding at June 30, 2020 was \$2,902,525 and has a maturity date of July 2024.

Paycheck Protection Program Loan

The School obtained a loan in the amount of \$749,000 through the Paycheck Protection Program administrated by the U.S. Small Business Administration which is part of the Coronavirus Aid Relief and Economic Security Act. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in 2021. Principal and interest payments will be required through the maturity date in 2022.

ENVISION EDUCATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 LONG-TERM DEBT (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 344,475
2022	1,107,269
2023	372,770
2024	3,975,853
2025	133,113
Thereafter	-
Total	<u>\$ 5,933,480</u>

NOTE 6 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 \$37,428 for the year ended June 30, 2020.

Multiemployer Defined Benefit Pension Plans

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

The risks of participating in these multiemployer defined benefit pension plans are different from single employer plans because: (a) assets contributed to the multiemployer 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 multiemployer 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 multiemployer 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, 2019 total STRS plan net assets are \$273 billion, the total actuarial present value of accumulated plan benefits is \$392 billion, contributions from all employers totaled \$5.6 billion, and the plan is 66% 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

ENVISION EDUCATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 EMPLOYEE RETIREMENT (CONTINUED)

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, 2020 was 18.13% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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>
2018	\$ 1,129,954	100%
2019	1,429,231	100%
2020	1,671,873	100%

NOTE 7 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, 2020 totaled \$1,259,769.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,282,021
2022	1,246,521
2023	1,022,642
2024	539,703
2025	541,494
Thereafter	6,687,715
Total	<u>\$ 11,320,096</u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consist of entitlements received but not expended as of June 30, 2020. At June 30, 2020, the School's net assets with donor restrictions consisted of:

Prop 39 Clean Energy	\$ 62,688
Daniel McLaughlin Scholarship Fund	190,297
Total Net Assets with Donor Restriction	<u>\$ 252,985</u>

ENVISION EDUCATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 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 10 FUNCTIONALIZED EXPENSES

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, printing and postage, information technology, and other expenses, which are allocated on the basis of estimates of time and effort.

NOTE 11 CONTINGENCIES AND COMMITMENTS

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.

The extent of the impact of COVID-19 on the operational and financial performance of the School will depend on certain developments, including the duration and spread of the outbreak, impact on state and federal funding, donors, employees and vendors; all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations of the School is uncertain.

Specific to the School, COVID-19 may impact various parts of its 2020 operations and financial results, including funding sources determined by economic activity. Management believes the School is taking appropriate actions to mitigate the negative impact. The School received a loan in the amount of \$749,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

SUPPLEMENTARY INFORMATION

**ENVISION EDUCATION INC.
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2020**

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 administrator as of the year ended June 30, 2020 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3-Year Term)</u>
Gia Truong	CEO	Indefinite
Mark Daoust	Board Chairperson	June 2021
Keysha Bailey	Board Vice Chairperson	June 2022
Susan Portugal	Secretary/Treasurer	June 2020
Kathi Burke	Member	June 2021
Mark Yowe	Member	June 2021
Tara Thomas	Member	June 2021
Michelle Seijas	Member	June 2022
Rob Vassel	Member	June 2021
Rhonnell Sotelo	Member	June 2022
Larry Hancock	Member	June 2020
Akil Hollis	Member	June 2020
Kaleb Lawson	Member	June 2022
Gay Hoagland	Member	June 2020
Bob Lenz	Member	June 2020

ADMINISTRATOR

Gia Truong	CEO
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**ENVISION EDUCATION INC.
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	Instructional Minutes		Credited Minutes	Total Actual	Traditional	Credited Days	Total Actual	Status
	Requirement	Actual	COVID-19 School Closure Certification	Plus Credit Minutes	Calendar Days	COVID-19 School Closure Certification	Plus Credit Days	
City Art and Technology								
High School								
Grade 9	64,800	44,985	20,188	65,173	123	57	180	In Compliance
Grade 10	64,800	44,985	20,188	65,173	123	57	180	In Compliance
Grade 11	64,800	44,985	20,188	65,173	123	57	180	In Compliance
Grade 12	64,800	44,985	20,188	65,173	123	57	180	In Compliance
Envision Academy of Arts								
and Technology								
Grade 7	54,000	43,691	19,574	63,265	123	57	180	In Compliance
Grade 8	54,000	43,691	19,574	63,265	123	57	180	In Compliance
Grade 9	64,800	45,015	20,100	65,115	123	57	180	In Compliance
Grade 10	64,800	45,015	20,100	65,115	123	57	180	In Compliance
Grade 11	64,800	45,015	20,100	65,115	123	57	180	In Compliance
Grade 12	64,800	45,015	20,100	65,115	123	57	180	In Compliance
Impact Academy of Arts								
and Technology								
Grade 6	54,000	44,250	18,895	63,145	124	56	180	In Compliance
Grade 7	54,000	44,250	18,895	63,145	124	56	180	In Compliance
Grade 8	54,000	44,250	18,895	63,145	124	56	180	In Compliance
Grade 9	64,800	45,325	19,555	64,880	124	56	180	In Compliance
Grade 10	64,800	45,325	19,555	64,880	124	56	180	In Compliance
Grade 11	64,800	45,325	19,555	64,880	124	56	180	In Compliance
Grade 12	64,800	45,325	19,555	64,880	124	56	180	In Compliance

See accompanying Notes to Supplementary Information.

ENVISION EDUCATION INC.
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
City Art and Technology High School Grades 9-12	237.35	237.35	237.35	237.35
Envision Academy of Arts and Technology Grades 4-6	35.67	35.67	35.67	35.67
Grades 9-12	352.91	352.91	352.89	352.89
Impact Academy of Arts and Technology Grades 4-6	120.86	120.86	120.86	120.86
Grades 7-8	239.35	239.35	239.35	239.35
Grades 9-12	442.72	442.72	442.72	442.72
ADA Totals	1,428.86	1,428.86	1,428.84	1,428.84

See accompanying Notes to Supplementary Information.

ENVISION EDUCATION INC.
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>C.A.T. Campus</u>	<u>E.A. Campus</u>	<u>Impact Campus</u>
June 30, 2020 Annual Financial Report Fund Balances (Net Assets)	\$ 154,743	\$ 2,795,698	\$ 5,177,139
Adjustments and Reclassifications:			
Increase (Decrease) of Fund Balance (Net Assets):			
Accounts Receivable	<u>(25,773)</u>	<u>52,134</u>	<u>11,951</u>
Net Adjustments and Reclassifications	<u>(25,773)</u>	<u>52,134</u>	<u>11,951</u>
June 30, 2020 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 128,970</u>	<u>\$ 2,847,832</u>	<u>\$ 5,189,090</u>

See accompanying Notes to Supplementary Information.

ENVISION EDUCATION INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	C.A.T. Campus	E.A. Campus	Impact Campus	Total
U.S. Department of Education						
Pass-Through Program From California Department of Education: Every Student Succeeds Act						
Title I, Part A, Basic Grants:						
Low-Income and Neglected	84.010	03797	\$ 91,136	\$ 123,896	\$ 186,524	\$ 401,556
Title II, Part A, Teacher Quality	84.367	14341	11,824	16,608	31,423	59,855
Title IV	84.424	N/A	10,000	10,000	13,217	33,217
Special Education Cluster:						
Special Education - IDEA	84.027	13379	-	87,970	112,059	200,029
Special Education - ERMHS Mental Health Level 3	84.027A	N/A	10,959	105,684	11,951	128,594
Total Special Education Cluster			<u>10,959</u>	<u>193,654</u>	<u>124,010</u>	<u>328,623</u>
<i>Total U.S Department of Education</i>			<u>123,919</u>	<u>344,158</u>	<u>355,174</u>	<u>823,251</u>
Total Federal Expenditures			<u>\$ 123,919</u>	<u>\$ 344,158</u>	<u>\$ 355,174</u>	<u>\$ 823,251</u>

N/A - Pass-through entity number not readily available or not applicable.

See accompanying Notes to Supplementary Information.

ENVISION EDUCATION INC.
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020

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.

NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal governmental for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to reimbursement. Because the Schedule presents only a selected portion of operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

NOTE 5 INDIRECT COST RATE

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**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 statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated November 25, 2020.

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 consolidated 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
November 25, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDE

Board of Directors
Envision Education Inc.
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Envision Education Inc. (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
November 25, 2020



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 *2019-2020 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, 2020. 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 *2019-2020 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:	
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
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, 2020.

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 *2019-2020 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
November 25, 2020

**ENVISION EDUCATION INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

84.010

Name of Federal Program or Cluster

Title I, Part A

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**ENVISION EDUCATION INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

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
43000	Apprenticeship
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

There were no findings and questioned costs related to the basic consolidated financial statements, federal awards, or state awards for June 30, 2020.

**ENVISION EDUCATION INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

There were no findings and questioned costs related to the basic consolidated financial statements, federal awards, or state awards for the prior year.

