

ENVISION EDUCATION INC.

**Independent Auditor's Report
and Consolidated Financial Statements
For the Year Ended
June 30, 2017**

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**

ENVISION EDUCATION INC.

TABLE OF CONTENTS
June 30, 2017

Independent Auditor’s Report.....	1
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements.....	7
Local Education Agency Organization Structure	14
Schedule of Instructional Time.....	15
Schedule of Average Daily Attendance.....	16
Reconciliation of Annual Financial Report with Audited Financial Statements.....	17
Notes to the Supplementary Information.....	18
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	19
Independent Auditor’s Report on State Compliance	21
Schedule of Findings and Questioned Costs.....	23
Status of Prior Year Findings and Questioned Costs.....	24



CliftonLarsonAllen LLP
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Envision Education Inc.
Oakland, CA

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, 2017, 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.

Auditor's 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.

Board of Directors
Envision Education Inc.

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2017, 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 columns by location are presented on the statements of financial position, activities and cash flows and 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 October 6, 2017 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 of 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, CA
October 6, 2017

ENVISION EDUCATION INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2017

	C.A.T. Campus	E.A. Campus	Impact Campus	Envision Learning Partners	Support Office	EEI 2560 Darwin LLC	Eliminations	Total
<u>ASSETS</u>								
CURRENT ASSETS:								
Cash and cash equivalents	\$ 279,772	\$ 332,044	\$ 542,413	\$ 213,322	\$ 48,354	\$ 27,153	\$ -	\$ 1,443,058
Accounts and grants receivable	277,963	543,080	761,174	183,914	2,614	-	-	1,768,745
Intra-organization receivables	1,161,096	528,153	182,968	679,292	-	-	(2,551,509)	-
Prepaid expenses and other assets	7,475	10,659	17,477	-	27,576	-	-	63,187
Other current assets	1,613	1,732	1,930	-	-	-	-	5,275
Total current assets	<u>1,727,919</u>	<u>1,415,668</u>	<u>1,505,962</u>	<u>1,076,528</u>	<u>78,544</u>	<u>27,153</u>	<u>(2,551,509)</u>	<u>3,280,265</u>
LONG-TERM ASSETS:								
Property, plant and equipment, net	100,287	466,147	311,000	4,099	61,841	4,384,961	-	5,328,335
Other long-term assets	-	-	-	-	69,158	-	-	69,158
Total long-term assets	<u>100,287</u>	<u>466,147</u>	<u>311,000</u>	<u>4,099</u>	<u>130,999</u>	<u>4,384,961</u>	<u>-</u>	<u>5,397,493</u>
Total assets	<u>\$ 1,828,206</u>	<u>\$ 1,881,815</u>	<u>\$ 1,816,962</u>	<u>\$ 1,080,627</u>	<u>\$ 209,543</u>	<u>\$ 4,412,114</u>	<u>\$ (2,551,509)</u>	<u>\$ 8,677,758</u>
<u>LIABILITIES AND NET ASSETS</u>								
CURRENT LIABILITIES:								
Accounts payable and accrued liabilities	\$ 198,666	\$ 182,683	\$ 500,003	\$ 108,972	\$ 184,110	\$ 104,755	\$ -	\$ 1,279,189
Intra-organization payables	-	-	-	-	2,551,509	-	(2,551,509)	-
Deferred rent	8,831	52,214	18,278	-	51,785	-	-	131,108
Capital lease, current portion	-	-	-	-	57,276	-	-	57,276
Long-term debt, current portion	128,751	-	-	-	-	-	-	128,751
Total current liabilities	<u>336,248</u>	<u>234,897</u>	<u>518,281</u>	<u>108,972</u>	<u>2,844,680</u>	<u>104,755</u>	<u>(2,551,509)</u>	<u>1,596,324</u>
LONG-TERM LIABILITIES:								
Capital lease, net current portion	-	-	-	-	90,981	-	-	90,981
Long-term debt, net current portion	891,555	-	-	-	-	2,299,867	-	3,191,422
Total long-term liabilities	<u>891,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,981</u>	<u>2,299,867</u>	<u>-</u>	<u>3,282,403</u>
NET ASSETS:								
Unrestricted	600,403	1,646,918	1,295,101	971,655	(2,726,118)	2,007,492	-	3,795,451
Temporarily restricted	-	-	3,580	-	-	-	-	3,580
Total net assets	<u>600,403</u>	<u>1,646,918</u>	<u>1,298,681</u>	<u>971,655</u>	<u>(2,726,118)</u>	<u>2,007,492</u>	<u>-</u>	<u>3,799,031</u>
Total liabilities and net assets	<u>\$ 1,828,206</u>	<u>\$ 1,881,815</u>	<u>\$ 1,816,962</u>	<u>\$ 1,080,627</u>	<u>\$ 209,543</u>	<u>\$ 4,412,114</u>	<u>\$ (2,551,509)</u>	<u>\$ 8,677,758</u>

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

ENVISION EDUCATION INC.

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

	C.A.T. Campus	E.A. Campus	Impact Campus	Envision Learning Partners	Support Office	EEI 2560 Darwin LLC	Total
UNRESTRICTED REVENUES:							
State revenue:							
State apportionment	\$ 1,000,094	\$ 3,070,597	\$ 4,076,309	\$ -	\$ -	\$ -	\$ 8,147,000
Other state revenue	446,821	779,644	617,109	-	3,551	-	1,847,125
Federal revenue:							
Grants and entitlements	255,801	195,596	214,563	-	41,943	-	707,903
Local revenue:							
In-lieu property tax revenue	2,089,316	854,687	1,453,540	-	-	-	4,397,543
Contributions	78,149	16,121	601,491	717,500	392,773	-	1,806,034
Other revenue	172,520	353,482	9,889	503,316	1,353	2,127,208	3,167,768
Amounts released from restriction	12,400	2,012	7,415	-	-	-	21,827
Total revenues and amounts released from restrictions	<u>4,055,101</u>	<u>5,272,139</u>	<u>6,980,316</u>	<u>1,220,816</u>	<u>439,620</u>	<u>2,127,208</u>	<u>20,095,200</u>
EXPENSES:							
Program services	3,275,924	3,894,108	6,560,269	1,011,997	79,848	79,675	14,901,821
Management and general	-	-	-	-	3,380,867	40,041	3,420,908
Total expenses	<u>3,275,924</u>	<u>3,894,108</u>	<u>6,560,269</u>	<u>1,011,997</u>	<u>3,460,715</u>	<u>119,716</u>	<u>18,322,729</u>
Change in unrestricted net assets	779,177	1,378,031	420,047	208,819	(3,021,095)	2,007,492	1,772,471
TEMPORARILY RESTRICTED:							
Amounts released from restriction	(12,400)	(2,012)	(7,415)	-	-	-	(21,827)
Change in temporarily restricted net assets	<u>(12,400)</u>	<u>(2,012)</u>	<u>(7,415)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,827)</u>
Change in net assets	766,777	1,376,019	412,632	208,819	(3,021,095)	2,007,492	1,750,644
Transfers in (out)	(740,585)	(915,919)	(1,225,691)	(138,898)	3,021,093	-	-
Beginning net assets	574,211	1,186,818	2,111,740	901,734	(2,726,116)	-	2,048,387
Ending net assets	<u>\$ 600,403</u>	<u>\$ 1,646,918</u>	<u>\$ 1,298,681</u>	<u>\$ 971,655</u>	<u>\$(2,726,118)</u>	<u>\$2,007,492</u>	<u>\$ 3,799,031</u>

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

ENVISION EDUCATION INC.

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017**

	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	\$ 766,777	\$ 1,376,019	\$ 412,632	\$ 208,819	\$ (3,021,095)	\$ 2,007,492	\$ 1,750,644
Adjustments to reconcile change in net assets to net cash flows from operating activities:							
Depreciation	34,474	127,757	79,651	1,868	59,856	79,675	383,281
Transfer of assets to LLC			2,127,208			(2,127,208)	-
Change in operating assets:							
Accounts and grants receivable	61,257	31,791	(224,348)	(101,867)	(98)	-	(233,265)
Intra-organization receivables	(101,894)	(528,153)	556,243	205,462	-	-	131,658
Prepaid expenses and other assets	13,735	(2,249)	3,028	-	14,123	-	28,637
Change in operating liabilities:							
Accounts payable and accrued liabilities	26,371	50,604	26,495	(58,671)	(30,590)	104,755	118,964
Intra-organization payables	-	-	-	-	(131,658)	-	(131,658)
Deferred revenue	-	-	-	-	-	-	-
Deferred rent	8,831	24,714	18,278	-	38,589	-	90,412
Net cash flows from operating activities	<u>809,551</u>	<u>1,080,483</u>	<u>2,999,187</u>	<u>255,611</u>	<u>(3,098,679)</u>	<u>64,714</u>	<u>2,110,867</u>
CASH FLOWS from INVESTING ACTIVITIES:							
Purchases of property, plant and equipment	<u>(88,914)</u>	<u>(118,133)</u>	<u>(1,873,708)</u>	<u>(3,391)</u>	<u>(39,873)</u>	<u>(2,337,428)</u>	<u>(4,461,447)</u>
Net cash flows from investing activities	<u>(88,914)</u>	<u>(118,133)</u>	<u>(1,873,708)</u>	<u>(3,391)</u>	<u>(39,873)</u>	<u>(2,337,428)</u>	<u>(4,461,447)</u>
CASH FLOWS from FINANCING ACTIVITIES:							
Proceeds from debt	-	-	-	-	182,104	2,299,867	2,481,971
Repayments of debt	<u>(139,132)</u>	<u>(287,745)</u>	<u>-</u>	<u>-</u>	<u>(48,269)</u>	<u>-</u>	<u>(475,146)</u>
Net cash flows from financing activities	<u>(139,132)</u>	<u>(287,745)</u>	<u>-</u>	<u>-</u>	<u>133,835</u>	<u>2,299,867</u>	<u>2,006,825</u>
Net change in cash and cash equivalents	581,505	674,605	1,125,479	252,220	(3,004,717)	27,153	(343,755)
Cash and cash equivalents at the beginning of the year	438,852	573,358	642,625	100,000	31,978	-	1,786,813
Transfer in (out)	<u>(740,585)</u>	<u>(915,919)</u>	<u>(1,225,691)</u>	<u>(138,898)</u>	<u>3,021,093</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the 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>
SUPPLEMENTAL CASH FLOW INFORMATION:							
Cash paid for interest during the fiscal year	<u>\$ 15,225</u>	<u>\$ 13,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,449</u>	<u>\$ -</u>	<u>\$ 30,170</u>

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

ENVISION EDUCATION INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program	Management	Total
	Services	and General	Expenses
Salaries and wages	\$ 7,611,088	\$ 2,139,582	\$ 9,750,670
Pension expense	829,977	125,308	955,285
Other employee benefits	675,715	191,241	866,956
Payroll taxes	235,016	119,024	354,040
Management fees	118,207	-	118,207
Legal expenses	31,884	113,828	145,712
Accounting expenses	13,095	4,025	17,120
Instructional materials	392,478	62,545	455,023
Other fees for services	620,164	41,780	661,944
Advertising and promotion expenses	2,086	5,018	7,104
Office expenses	258,850	86,972	345,822
Printing and postage expenses	23,362	5,912	29,274
Information technology expenses	62,591	86,367	148,958
Occupancy expenses	988,379	156,464	1,144,843
Travel expenses	171,210	31,072	202,282
Conference and meeting expenses	22,780	58,203	80,983
Interest expense	28,754	1,416	30,170
Depreciation expense	324,806	58,475	383,281
Insurance expense	77,227	11,828	89,055
Other expenses	2,414,152	121,848	2,536,000
	<u>\$ 14,901,821</u>	<u>\$ 3,420,908</u>	<u>\$ 18,322,729</u>

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

ENVISION EDUCATION INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Founded in 2001, Envision Education, Inc. (the School) is a not-for-profit charter management organization that operated free innovative college-preparatory high schools during the fiscal year ended June 30, 2017. 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.
- 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 \$3,580 as of June 30, 2017.
- 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.

ENVISION EDUCATION INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2017. 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, 2017, the School accrued \$175,907 as 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.

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.

ENVISION EDUCATION INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes – The School is a non-profit 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, 2017, 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 Average Daily Attendance (ADA).

Evaluation of Subsequent Events – The School has evaluated subsequent events through October 6, 2017, 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 is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings and equipment in excess of \$5,000. Depreciation expense was \$383,281 for the year ended June 30, 2017.

The components of property, plant and equipment as of June 30, 2017 are as follows:

Building	\$ 5,504,625
Furniture, fixtures, equipment	<u>3,748,447</u>
Sub-total	9,253,072
Less accumulated depreciation	<u>(3,924,737)</u>
Property, plant and equipment, net	<u><u>\$ 5,328,335</u></u>

ENVISION EDUCATION INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 4: LONG-TERM DEBT

Capital Lease

The School entered into lease purchase programs in January 2014 and January 2017 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:

Future minimum lease payments under the lease agreement are as follows:

Year Ended <u>June 30,</u>	
2018	\$ 62,690
2019	48,268
2020	<u>48,268</u>
Subtotal	159,226
Less interest portion	<u>(10,969)</u>
Total	<u>\$ 148,257</u>

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 future repayment on this loan is as follows:

Year Ended <u>June 30,</u>	
2018	\$ 128,751
2019	129,087
2020	129,425
2021	123,658
Thereafter	<u>509,385</u>
Total	<u>\$ 1,020,306</u>

ENVISION EDUCATION INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 4: LONG-TERM DEBT

Pacific Charter Schools Development

The School received a \$1,800,000 loan for building new facilities. The School will be making 2 percent, interest only payments on this loan during the construction period. After construction is completed, The School will be making blended principal and interest payments over a 25 year amortization term. After 7 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 for building new facilities. The School has drawn \$499,867 as of June 30, 2017.

Construction Commitments

The School is committed to approximately \$2,700,000 in construction contracts as of June 30, 2017.

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 \$30,188 for the year ended June 30, 2017.

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.

ENVISION EDUCATION INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5: EMPLOYEE RETIREMENT

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, 2016, total plan net assets are \$189 billion, the total actuarial present value of accumulated plan benefits is \$333 billion, contributions from all employers totaled \$3.4 billion, and the plan is 63.7% 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, 2017 was 12.58% 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</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2015	\$ 527,259	100%
2016	\$ 681,057	100%
2017	\$ 925,097	100%

ENVISION EDUCATION INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

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, 2017 totaled \$686,153.

Future minimum lease payments are as follows:

Year Ended <u>June 30,</u>	
2018	\$ 669,167
2019	705,640
2020	728,085
2021	749,988
2022	578,554
Thereafter	<u>1,181,880</u>
Total	<u>\$ 4,613,314</u>

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of entitlements received but not expended as of June 30, 2017. At June 30, 2017, the School's temporarily restricted net assets consisted of \$3,580 in funding from the Proposition 39 – California Clean Energy Jobs Act.

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.

SUPPLEMENTARY INFORMATION

ENVISION EDUCATION INC.

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
For the Year Ended June 30, 2017**

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.

The charter school numbers 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 June 30, 2017 were as follows:

BOARD OF DIRECTORS

Member	Office	Office	Term Expires
Gia Truong	CEO / Superintendent	Indefinite	Indefinite
Parker Blackman	Board Chairperson	3 years	June 2019
Phil Johnston	Board Vice Chairperson	3 years	June 2020
Keysha Bailey	Secretary / Treasurer	3 years	June 2019
Kristi Kimball	Member	3 years	June 2017
Kathi Burke	Member	3 years	June 2019
Matt Armanino	Member	3 years	June 2017
Michael J. Mendes	Member	3 years	June 2017
Marjorie Goux	Member	3 years	June 2018
Dea-Anne D'Amico	Member	3 years	June 2019
Mark Daoust	Member	3 years	June 2019
Gay Hoagland	Member	3 years	June 2020
Bob Lenz	Co-Founder/Member	3 years	June 2020
Mark Yowe	Member	3 years	June 2019

ADMINISTRATORS

Gia Truong CEO / Superintendent

ENVISION EDUCATION INC.

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2017**

	Instructional Minutes		Traditional	Status
	Requirement	Actual	Calendar 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	65,115	182	In compliance
Grade 10	64,800	65,115	182	In compliance
Grade 11	64,800	65,115	182	In compliance
Grade 12	64,800	65,115	182	In compliance
Impact Academy of Arts and Technology				
Grade 7	54,000	65,150	180	In compliance
Grade 9	64,800	67,730	180	In compliance
Grade 10	64,800	67,730	180	In compliance
Grade 11	64,800	67,730	180	In compliance
Grade 12	64,800	67,730	180	In compliance

See the accompanying notes to the supplementary information.

ENVISION EDUCATION INC.

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2017**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom</u>		<u>Classroom</u>	
	<u>Based</u>	<u>Total</u>	<u>Based</u>	<u>Total</u>
City Art and Technology High School				
Grades 9-12	308.40	308.40	303.76	303.76
Envision Academy of Arts and Technology				
Grades 9-12	374.37	374.37	371.25	371.25
Impact Academy of Arts and Technology				
Grade 7	118.73	118.73	118.77	118.77
Grades 9-12	442.32	442.32	441.36	441.36
ADA Totals	<u>1,243.82</u>	<u>1,243.82</u>	<u>1,235.14</u>	<u>1,235.14</u>

See the accompanying notes to the supplementary information.

ENVISION EDUCATION INC.

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

	C.A.T. Campus	E.A. Campus	Impact Campus
June 30, 2017 Annual Financial Report Fund Balances (Net Assets)	\$ 619,369	\$ 1,712,582	\$ 1,335,029
Adjustments and Reclassifications:			
Increasing (Decreasing) the Fund Balance (Net Assets):			
Cash and cash equivalents	119,903	57,864	232,462
Accounts receivable	(130,038)	(57,173)	(433,500)
Accounts receivable - other	-	(14,927)	182,968
Prepaid expenses and other assets	-	786	-
Deferred rent liabilities	(8,831)	(52,214)	(18,278)
Net Adjustments and Reclassifications	(18,966)	(65,664)	(36,348)
June 30, 2017 Audited Financial Statement Fund Balances (Net Assets)	\$ 600,403	\$ 1,646,918	\$ 1,298,681

See the accompanying notes to the supplementary information.

ENVISION EDUCATION INC.

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

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 corresponding provisions of the Education Code.

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.

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 financial statements.

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

Board of Directors
Envision Education Inc.
Oakland, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Envision Education Inc. (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2017, and the related 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 October 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the 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.


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

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 non-compliance 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, CA

October 6, 2017



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
Envision Education Inc.
Oakland, CA

We have audited Envision Education Inc's (the School) compliance with the types of compliance requirements described in the *2016-2017 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, 2017. 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 *2016-2017 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	Not applicable
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<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, 2017.

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 *2016-2017 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, CA

October 6, 2017

ENVISION EDUCATION INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

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

There were no findings and questioned costs related to the basic financial statements or state awards for June 30, 2017.

ENVISION EDUCATION INC.

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

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