

Pro-Vision Educational Services, Inc.

Financial Statements and Independent Auditors' Report
for the Year Ended August 31, 2018
(with comparative totals for 2017)



Pro-Vision Educational Services, Inc.

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Pro-Vision Educational Services, Inc.

Federal Employer Identification Number: 20-5490040

County: Harris

Co.-District: 101868

Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one) _____approved _____disapproved for the year ended August 31, 2018, at a meeting of the Board of Directors of such charter holder on the _____day of _____, 2019.

Signature of Board Secretary

Signature of Board President

If the Board of Directors disapproved the auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)



Independent Auditors' Report

To the Board of Directors
Pro-Vision Educational Services, Inc.
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Pro-Vision Educational Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pro-Vision Educational Services, Inc. as of August 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in *Note 13* to the financial statements, the Organization experienced a decrease in net assets from operations and a liability amount to vendors as of August 31, 2018. Managements evaluation of the events and conditions and management's plans to mitigate those matters are also described in *Note 14*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Pro-Vision Educational Services, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Specific Purpose Financial Statements and Supplementary Information

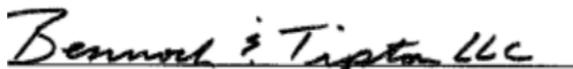
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules:

- a. Specific Purpose Financial Statements – Statement of Financial Position and Statement of Activities.
- b. Supplementary Information – Schedule of Expenses, Schedule of Capital Assets, and Budgetary Comparison Schedule.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2018, on our consideration of Pro-Vision Educational Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Pro-Vision Educational Services, Inc.'s internal control over financial reporting and compliance.



Bennoch & Tipton LLC
Certified Public Accountants
Houston, Texas

January 25, 2019

PRO-VISION EDUCATIONAL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2018 (with comparative totals for 2017)

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 17,970	\$ 215,132
Due from State	263,951	259,826
Due from related party	<u>16,236</u>	<u>-</u>
Total Current Asset	<u>298,157</u>	<u>474,958</u>
Other Assets		
Property and Equipment		
Building	248,518	160,105
Furniture and equipment	583,501	510,816
Vehicles	30,251	30,251
Accumulated depreciation	<u>(564,907)</u>	<u>(474,569)</u>
Total Property and Equipment, net	<u>297,363</u>	<u>226,603</u>
Total Assets	<u>\$ 595,520</u>	<u>\$ 701,561</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable	\$ 126,501	\$ 222,400
Accrued expenses	313,802	125,696
Installment agreement	18,750	19,800
Other current liabilities	<u>4,750</u>	<u>4,750</u>
Total Current Liabilities	<u>463,803</u>	<u>372,646</u>
Net Assets		
Unrestricted	131,717	328,915
Temporarily restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>131,717</u>	<u>328,915</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 595,520</u>	<u>\$ 701,561</u>

PRO-VISION EDUCATIONAL SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018 (with comparative totals for 2017)

REVENUE	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Local Revenue:				
5740 Other local revenue	\$ 236,356	\$ -	\$ 236,356	\$ 8,594
5750 Food service, cocurricular & enterprising	1,010	-	1,010	665
Total Local Revenue	237,366	-	237,366	9,259
State Program Revenue:				
5810 Foundation School Program	4,010,421	-	4,010,421	3,430,504
5820 Other state revenue (TEA)	43,917	-	43,917	21,608
Total State Program Revenues	4,054,338	-	4,054,338	3,452,112
Federal Program Revenues:				
Pass through TEA				
5920 Federal Revenue	502,015	-	502,015	429,262
Total Federal Program Revenues	502,015	-	502,015	429,262
Total Revenue	4,793,719	-	4,793,719	3,890,633
Net Assets Released from Temporary Restrictions	-	-	-	-
Total Revenues and Net Assets Released from Restrictions	4,793,719	-	4,793,719	3,890,633
EXPENSES				
Program Services:				
10 Instruction and instructional related services	2,141,611	-	2,141,611	2,120,272
20 Instructional school leadership	509,903	-	509,903	306,412
Total Program Services	2,651,514	-	2,651,514	2,426,684
Supporting Services:				
30 Support services-student	813,147	-	813,147	586,318
40 Administrative support services	481,728	-	481,728	477,378
50 Support services-non student	1,024,822	-	1,024,822	771,136
60 Ancillary services	18,574	-	18,574	339
70 Debt service	929	-	929	-
80 Fundraising	203	-	203	-
Total Supporting Services	2,339,403	-	2,339,403	1,835,171
Total Expenses	4,990,917	-	4,990,917	4,261,855
Change in net assets	(197,198)	-	(197,198)	(371,222)
Net assets, beginning of year	328,915	-	328,915	700,137
Net assets, end of year	\$ 131,717	\$ -	\$ 131,717	\$ 328,915

PRO-VISION EDUCATIONAL SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2018 (with comparative totals for 2017)

	2018	2017
Cash Flows From Operating Activities		
Cash received from federal sources	\$ 502,015	\$ 441,896
Cash received from state sources	4,050,213	3,484,821
Cash received from local sources	221,130	8,551
Payments to suppliers	(2,362,317)	(1,604,880)
Payments to employees	(2,229,331)	(2,137,524)
Payments for employee benefits	(216,723)	(173,466)
Net Change from Operating Activities	<u>(35,013)</u>	<u>19,398</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(136,099)	(15,296)
Net Change from Investing Activities	<u>(136,099)</u>	<u>(15,296)</u>
Cash Flows from Financing Activities		
Proceeds from installment agreement	-	-
Payments on capital lease obligations	(26,050)	(9,797)
Net Change from Financing Activities	<u>(26,050)</u>	<u>(9,797)</u>
Net change in Cash and Cash Equivalents	(197,162)	(5,695)
Cash and Cash Equivalents, Beginning of Year	<u>215,132</u>	<u>220,827</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,970</u>	<u>\$ 215,132</u>
Reconciliation of Change in Unrestricted Net Assets		
to Net Cash Provided by Operating Activities		
Change in unrestricted net assets	\$ (197,198)	\$ (371,222)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	90,339	91,053
Changes in assets and liabilities:		
Due from state	(4,125)	44,635
Due from related party	(16,236)	-
Accounts payable	(95,899)	203,287
Accrued expenses	188,106	51,645
Net Change from Operating Activities	<u>\$ (35,013)</u>	<u>\$ 19,398</u>
Supplemental Disclosure of Cash Flow Information:		
Purchase of playground equipment with installment	<u>\$ 25,000</u>	<u>\$ -</u>
Purchase of buses with an installment agreement	<u>\$ -</u>	<u>\$ 30,251</u>

PRO-VISION EDUCATIONAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 (with comparative totals for 2017)

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of Pro-Vision Educational Services, Inc. (the “School”) were prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity – The School is a not-for-profit organization incorporated in the State of Texas on August 25, 2006, and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The School’s mission is to inspire hope and purpose in young people through access to academic, economic and social enrichment opportunities.

Since the School’s major source of funding is from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

The School was a district charter under Houston Independent School District for 18 years until the 2013-2014 school year when they opened as a public open enrollment charter. The School’s mission is to inspire hope and purpose in young people through access to academic, economic and social enrichment opportunities.

Corporate Operations – On April 17, 2013, the State Board of Education of the State of Texas granted the School an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, the School was opened as an open-enrollment charter school for the academic year 2013-2014. It was organized to provide educational services to students in middle school and high school, and the School’s board of directors governs its programs, services, activities and functions.

Basis of Accounting – The School presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation – The School’s financial statements are presented in accordance with Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) 958-205-45-4, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-205-45-4, the School is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time.
- Permanently Restricted Net Assets – Net assets that consist of donor-restricted contributions which are required to be held in perpetuity and income from the assets held is available for specific purposes, in accordance with donor stipulations.

Contributions – In accordance with FASB ASC 958-605-45-3, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or

PRO-VISION EDUCATIONAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 (with comparative totals for 2017)

permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized as an increase to unrestricted net assets when the donor makes a promise to give to the School, that is, in substance, unconditional. Support that is restricted by the donor is reported as an increase in unrestricted assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as either temporarily restricted support or permanently restricted support, depending on the nature of the donor restriction when received. Temporarily restricted support is reclassified to unrestricted net assets upon expiration of the restriction.

Unconditional promises to give are recorded when received. Unconditional promises to give that are expected to be collected within one (1) year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value. The discount on those amounts is computed using The School's effective yield on investments. Amortization of the discounts is included in contribution revenue.

Conditional promises to give, which depend on the occurrence of specified future and uncertain events to bind the promise, are recognized when the conditions on which they depend are substantially met.

Expiration of Donor-Imposed Restrictions – The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires, and at that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents – The School considers all highly liquid investments with a maturity of three (3) months or less when purchased to be cash equivalents.

Donated Materials and Services – Donated materials or equipment, when received, are reflected as contributions in the accompanying financial statements at their estimated fair market values at date of receipt. Certain other contributed services that require specialized skills, when provided by individuals possessing those skills and otherwise needing to be purchased if not provided by donation, are recognized as revenues and expenses as established by FASB ASC 958-605-25-26. For the years ended August 31, 2017 and 2016, there were no such amounts included in the accompanying statements of activities and changes in net assets.

Property and Equipment – Property and equipment, which include buildings and improvements, furniture, and equipment, are reported in the general-purpose and specific-purpose financial statements. Property and equipment are defined by the School as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to thirty years, using the straight-line method of depreciation. Depreciation expense for the years ended August 31, 2018 and 2017 was \$90,339 and \$91,053, respectively. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost. Property and equipment acquired with public funds received by the School constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital assets.

PRO-VISION EDUCATIONAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 (with comparative totals for 2017)

Personal Leave – Employees are allocated personal days each year and may carry over a fixed number to the next fiscal year.

Advertising – Advertising costs are charged to expense when incurred because no costs are associated with direct response advertising. For the fiscal years ended August 31, 2018 and 2017, advertising expenses totaled \$14,351 and \$10,923, respectively.

Use of Estimates – The School uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Government Grants and Program Revenues – Revenues from the State of Texas available school fund are earned based on reported attendance. Government grant contracts that are entered into by the School are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.

Federal Income Tax – The School is a not-for-profit organization that is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code pursuant to the group exemption letter received from the Internal Revenue Service. Accordingly, no provision for income taxes has been made. However, should The Organization engage in activities unrelated to the purpose for which it was created, taxable income could result.

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic No. 740, Accounting for Income Taxes, prescribes accounting for and disclosure of uncertainty in tax positions. This interpretation defines the criteria that must be met for the benefits of a tax position to be recognized in the financial statements and the measurement of tax benefits recognized. For the fiscal years ended August 31, 2018 and 2017, the School did not record any liabilities for uncertain tax positions or income taxes. The School does not expect the amounts of unrecognized tax benefits to significantly increase or decrease within the next twelve (12) months.

Fair Value – The financial statements are prepared in accordance with FASB ASC 820 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the financial statements or on a recurring basis (at least annually). FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

FASB ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets include cash and cash equivalents with a fair value at August 31, 2018 and 2017 of \$17,970 and \$215,132, respectively.

PRO-VISION EDUCATIONAL SERVICES, INC.
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AUGUST 31, 2018 (with comparative totals for 2017)

Level 2 – Inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that are supported by little or no market activity.

The Organization’s financial instruments include cash and cash equivalents. The following methods and assumptions were used by the School in estimating the fair value of its financial instruments:

Cash and cash equivalents – the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

NOTE 2 – DUE FROM STATE

At August 31, 2018 and 2017, the School had earned the following revenues which were not received until after September 1, 2018 and 2017, respectively:

	2018	2017
Due from Texas Education Agency	\$ 263,951	\$ 218,287
Due from U.S. Department of Education	-	41,539
Due from Pro-Vision, Inc.	16,236	-
Total	\$ 280,187	\$ 259,826

All amounts receivable from the State are due in less than one year and are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

NOTE 3 – CAPITAL LEASE OBLIGATIONS

During 2012, the School entered into a capital lease agreement for a modular building. The lease began on May 1, 2012 and matured on April 30, 2017. The terms of the lease required sixty (60) monthly installments of \$904 including imputed interest at ten percent (10%). The capital lease was paid off during the fiscal year ended August 31, 2017.

NOTE 4 – DEFINED BENEFIT PENSION PLANS

Plan Description

The School contributes to the Teacher Retirement System of Texas (“TRS”), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the School, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan.

That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800- 223-8778, or by

PRO-VISION EDUCATIONAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
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downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. State law provides for a member contribution rate of 7.7% for the 2018 fiscal period. The state’s contribution rate as a non-employer contributing entity was 6.8% in 2018. The School’s employees’ contributions to the system for the years ended August 31, 2018 and 2017 were \$164,570 and \$158,081, respectively, equal to the required contributions for the year.

Other contributions made from federal and private grants and from the School for salaries above the statutory minimum were contributed at a rate of 6.8% totaling \$44,583 and \$13,901 for the years ended August 31, 2018 and 2017, respectively. The School’s contributions into this plan do not represent more than 5% of the total contributions to the plan. The School’s participation in the TRS plan for the years ended August 31, 2018 is outlined in the table below (ABO refers to the accumulated benefit obligation):

<u>Pension Fund</u>	<u>Total Plan Assets 2017</u>	<u>ABO 2017</u>	<u>Percent Funded</u>	<u>Surcharge Imposed</u>
TRS	\$154,568,901,833	\$209,611,328,793	73.74%	Yes

NOTE 5 – HEALTH CARE COVERAGE

During the years ended August 31, 2018 and 2017, employees of the School were covered by health insurance plans through AETNA for medical coverage and Humana for dental/vision coverage. The School contributes \$250 towards the medical premiums for the employees and their dependents. The School does not make contributions towards the employee’s dental/vision plan and the entire cost is the responsibility of the employee. The School contributed \$97,580 and \$68,500 towards the employee’s medical coverage for the years ended August 31, 2018 and 2017, respectively. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents as well as themselves.

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NOTE 6 – WORKERS COMPENSATION INSURANCE

During the 2017-2018 and 2016-2017 school years, the School carried worker's compensation insurance through Texas Mutual Insurance Company.

NOTE 7 – CHARTER HOLDER OPERATIONS

The Charter Holder is Pro-Vision Educational Services, Inc. The Charter Holder operates only a single Charter School named Pro-Vision Academy and did not conduct any other charter or non-charter activities.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

NOTE 9 – STATE FOUNDATION PROGRAM REVENUE

Charter schools in the State of Texas participate in the State Foundation Program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period and, at the close of the year, actual attendance is calculated by the Texas Education Agency and the amount of State Foundation Program earnings is calculated. The enrollment and attendance reports are subject to audit by the Texas Education Agency and final State Foundation Program earnings may be adjusted as a result of any such audit. During the years ended August 31, 2018 and 2017, the School was paid \$4,010,421 and \$3,430,504, respectively, of State Foundation Program funds (before any possible TEA enrollment and attendance audit).

The School had several days of instruction in August 2018 and 2017. Based on the estimated State Foundation Program revenue for the 2018-2019 and 2017-2018 school years as provided by the Texas Education Agency, the School earned \$263,951 and \$259,826, respectively, of State Foundation Program revenue for these days of instruction. This revenue has been accrued at August 31, 2018 and 2017 and will be received after September 1, 2018 and 2017, respectively.

NOTE 10 – CONCENTRATION OF RISK

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. The School maintains its cash balances at a financial institution located in Texas. As of August 31, 2018, and 2017, all of the Organization's cash balances were fully insured by the FDIC.

NOTE 11 – RELATED PARTY

The School is related to another exempt non-profit organization through a common board member, the Vice-President of the School's board is also President of the other exempt non-profit organization's board. However, he excuses himself from any deliberations on transactions involving both organizations.

PRO-VISION EDUCATIONAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 (with comparative totals for 2017)

The related party transactions are noted below:

- The school leases its facility from the other non-profit organization. See *Note 13 - Operating Leases* for the related party transactions.
- The School entered into a service agreement with the other non-profit organization for administrative services, development services, fundraising, and capital development. The service agreement began September 1, 2015 and expired August 31, 2018. The agreement was not renewed for the 2018/2019 school year.
- The School has a contribution receivable of \$16,236 from the other non-profit organization.
- The other non-profit organization granted a lease payment deferment to the school which provided temporary rental relief for five months during the 2017-2018 fiscal year. The School resumed payments in August 2018. The deferred balance due was \$183,333 the year end August 31, 2018.

NOTE 12 – OPERATING LEASES

The School entered into a sixty (60) month operating lease agreement for the school building with the other non-profit organization, a related party (see Note 11), on September 1, 2014. The monthly rental payments were \$35,00 each month for the first twenty-four (24) months and \$40,000 for the remaining thirty-six (36) months of the lease. In addition, the School leases certain equipment from an unrelated party under an operating lease with monthly rental payments of \$2,149 and expiring October 2019. The future lease payments required under the operating leases as of August 31, 2018 are \$505,788, and \$4,298 for the years ending 2019 and 2020 respectively.

Total rent expense by the School for the years ended August 31, 2018 and 2017 were \$574,000 and \$520,690, respectively.

NOTE 13 – GOING CONCERN

As indicated in the accompanying financial statements, the School has experienced operating losses during the fiscal years ended August 31, 2018 and 2017 of (\$197,198) and (\$371,222), respectively. The Organization's current liabilities of \$463,803 were in excess of its current assets of \$298,157 for the year ended August 31, 2018. These factors create uncertainty about the School's ability to continue as a going concern.

To mitigate the going concern, the School recognized the need for improved financial support and changed its back-office support vendor from Charter School Success to Harris Solutions. In addition, the organization engaged in an active student recruitment program, which resulted in a substantial increase in enrollment. At the beginning of current school year, the school had over 478 students enrolled, as compared to 395 students at the end of the prior school year. Further, the rent deferment that was granted by the leaser increased cash on hand to cover operating expenses, and the School's Administrative Staff engaged in a fundraising campaign to improve the organization's financial position. Further, the School replaced Charter School Success, with Harris Solutions, after discovering a weakness in the quality of accounting and back office services. The organization is now working to bring certain financial responsibilities back within the organization.

The organization substantially increased revenues and improved financial services, which all serve to alleviate this uncertainty about the School's ability to continue as a going concern.

PRO-VISION EDUCATIONAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 (with comparative totals for 2017)

NOTE 14 – SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through January 25, 2019, the date the financial statements were available to be issued. The School has determined there are no subsequent events requiring disclosure.

**SPECIFIC PURPOSE
FINANCIAL STATEMENTS**

PRO-VISION EDUCATIONAL SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2018 (with comparative totals for 2017)

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 17,970	\$ 215,132
Due from state	263,951	259,826
Due from related party	<u>16,236</u>	<u>-</u>
Total Current Asset	<u>298,157</u>	<u>474,958</u>
Other Assets		
Property and Equipment		
Building	248,518	160,105
Vehicles	30,251	30,251
Furniture and equipment	583,501	510,816
Accumulated depreciation	<u>(564,907)</u>	<u>(474,569)</u>
Total Property and Equipment, net	<u>297,363</u>	<u>226,603</u>
Total Assets	<u><u>\$ 595,520</u></u>	<u><u>\$ 701,561</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable	\$ 126,501	\$ 222,400
Accrued expense	313,802	125,696
Installment agreement	18,750	19,800
Other current liabilities	<u>4,750</u>	<u>4,750</u>
Total Current Liabilities	463,803	372,646
Net Assets		
Unrestricted	131,717	239,640
Temporarily restricted	<u>-</u>	<u>89,275</u>
Total Net Assets	<u>131,717</u>	<u>328,915</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 595,520</u></u>	<u><u>\$ 701,561</u></u>

PRO-VISION EDUCATIONAL SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018 (with comparative totals for 2017)

REVENUE	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Local Revenue:				
5740 Other local revenue	\$ 236,356	\$ -	\$ 236,356	\$ 8,594
5750 Food service, cocurricular & enterprising	1,010	-	1,010	665
Total Local Revenue	<u>237,366</u>	<u>-</u>	<u>237,366</u>	<u>9,259</u>
State Program Revenue:				
5810 Foundation School Program	-	4,010,421	4,010,421	3,430,504
5820 Other state revenue (TEA)	-	43,917	43,917	21,608
Total State Program Revenues	<u>-</u>	<u>4,054,338</u>	<u>4,054,338</u>	<u>3,452,112</u>
Federal Program Revenues:				
Pass through TEA				
5920 Federal Revenue	-	502,015	502,015	429,262
Total Federal Program Revenues	<u>-</u>	<u>502,015</u>	<u>502,015</u>	<u>429,262</u>
Total Revenue	<u>237,366</u>	<u>4,556,353</u>	<u>4,793,719</u>	<u>3,890,633</u>
Net Assets Released from Temporary Restrictions	<u>4,645,628</u>	<u>(4,645,628)</u>	<u>-</u>	<u>-</u>
Total Revenues and Net Assets Released from Restrictions	<u>4,882,994</u>	<u>(89,275)</u>	<u>4,793,719</u>	<u>3,890,633</u>
Expenses				
11 Instruction	2,045,721	-	2,045,721	1,941,277
13 Curriculum development and instructional staff development	95,890	-	95,890	178,995
23 School leadership	509,903	-	509,903	306,412
31 Guidance, counseling and evaluation services	67,701	-	67,701	111,812
33 Health services	149	-	149	323
34 Student transportation	247,390	-	247,390	149,994
35 Food services	330,433	-	330,433	153,620
36 Extracurricular	167,473	-	167,473	170,569
41 General administration	481,728	-	481,728	477,378
51 Plant maintenance	878,851	-	878,851	709,014
52 Security and monitoring services	30,319	-	30,319	21,031
53 Data processing	115,653	-	115,653	41,091
61 Community services	18,574	-	18,574	339
71 Debt service	929	-	929	-
81 Fundraising	203	-	203	-
Total Expenses	<u>4,990,917</u>	<u>-</u>	<u>4,990,917</u>	<u>4,261,855</u>
Change in Net Assets	<u>(107,923)</u>	<u>(89,275)</u>	<u>(197,198)</u>	<u>(371,222)</u>
Net Assets, Beginning of Year	<u>239,640</u>	<u>89,275</u>	<u>328,915</u>	<u>700,137</u>
Net Assets, End of Year	<u>\$ 131,717</u>	<u>\$ -</u>	<u>\$ 131,717</u>	<u>\$ 328,915</u>

PRO-VISION EDUCATIONAL SERVICES, INC.
NOTES TO SPECIFIC PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018 (with comparative totals for 2017)

NOTE 1 – SPECIFIC PURPOSE FINANCIAL STATEMENT PRESENTATION

The specific purpose financial statement comprises the statement of financial position and the statement of activities and is presented in accordance with the requirements of the Texas Education Agency Special Supplement to the Financial Accountability System Resource Guide for Charter Schools and the Special Supplement to Financial Accounting and Reporting Nonprofit Charter School Chart of Accounts that requires federal and state program revenue to be classified as temporarily restricted net assets until expended pursuant to applicable statutes, regulations, and grant requirements.

**SUPPLEMENTARY
INFORMATION**

PRO-VISION EDUCATIONAL SERVICES, INC.
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018 (with comparative totals for 2017)

Expenses	<u>2018</u>	<u>2017</u>
6100 Payroll costs	\$ 2,489,115	\$ 2,362,634
6200 Professional and contracted services	1,881,977	1,436,110
6300 Supplies and materials	316,720	191,696
6400 Other operating costs	302,177	271,415
6500 Debt service	<u>928</u>	<u>-</u>
Total Expenses	<u>\$ 4,990,917</u>	<u>\$ 4,261,855</u>

PRO-VISION EDUCATIONAL SERVICES, INC.
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2018 (with comparative totals for 2017)

	Year Ended August 31, 2018		
	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 17,970	\$ -
1520 Building and improvements	-	204,769	-
1531 Vehicles	-	30,251	-
1539 Furniture and equipment	-	503,870	-
1549 Furniture and equipment (<\$5,000)	-	79,630	-
1551 Building (Capital lease)	-	43,750	-
Total Capital Assets	<u>\$ -</u>	<u>\$ 880,240</u>	<u>\$ -</u>

	Year Ended August 31, 2017		
	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 215,132	\$ -
1520 Building and improvements	-	116,355	-
1531 Vehicles	-	30,251	-
1539 Furniture and equipment	-	431,186	-
1549 Furniture and equipment (<\$5,000)	-	79,630	-
1551 Building (Capital lease)	-	43,750	-
Total Capital Assets	<u>\$ -</u>	<u>\$ 916,304</u>	<u>\$ -</u>

PRO-VISION EDUCATIONAL SERVICES, INC.
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final		
REVENUE				
Local Revenue:				
5740 Other local revenue	\$ -	\$ 226,429	\$ 236,356	\$ 9,927
5750 Food service, cocurricular & enterprising	1,200	2,200	1,010	(1,190)
Total Local Revenue	1,200	228,629	237,366	8,737
State Program Revenue:				
5810 Foundation School Program	3,791,909	3,951,099	4,010,421	59,322
5820 Other state revenue (TEA)	1,100	41,186	43,917	2,731
Total State Program Revenues	3,793,009	3,992,285	4,054,338	62,053
Federal Program Revenues:				
Pass through TEA				
5920 Federal Revenue	219,504	537,045	502,015	(35,030)
Total Federal Program Revenues	219,504	537,045	502,015	(35,030)
Total Revenue	4,013,713	4,757,959	4,793,719	35,760
Net Assets Released from Temporary Restrictions				
	-	-	-	-
Total Revenues and Net Assets Released from Restrictions	4,013,713	4,757,959	4,793,719	35,760
Expenses				
Program Services:				
11 Instruction	1,396,352	2,018,759	2,045,721	26,962
13 Curriculum and staff development	72,152	93,414	95,890	2,476
23 School leadership	444,148	510,767	509,903	(864)
31 Guidance, counseling, evaluation services	119,500	58,851	67,701	8,850
33 Health services	1,005	1,005	149	(856)
34 Student transportation	182,550	226,160	247,390	21,230
35 Food services	311,196	322,100	330,433	8,333
36 Extracurricular/cocurricular	156,604	171,204	167,473	(3,731)
41 General administration	489,483	469,483	481,728	12,245
51 Plant maintenance	788,561	738,482	878,851	140,369
52 Security and Monitoring Services	24,500	41,652	30,319	(11,333)
53 Data processing	42,061	95,684	115,653	19,969
61 Community Services	5,000	15,800	18,574	2,774
71 Debt Service	2,520	928	929	1
81 Fundraising	-	205	203	(2)
Total Expenses	4,035,632	4,764,494	4,990,917	226,423
Change in Net Assets	(21,919)	(6,535)	(197,198)	(190,663)
Net Assets, Beginning of Year	328,915	328,915	328,915	328,915
Net Assets, End of Year	\$ 306,996	\$ 322,380	\$ 131,717	\$ 138,252

If the Schedule discloses a variance between the final budgeted amounts and the actual amounts that exceed 10 percent (10%) of the final budgeted amount, the charter school must include a written statement discussing the cause of the variance and the corrective actions that were taken to ensure that the charter school adheres to its budget. SEE APPENDIX 1

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

To the Board of Directors of
Pro-Vision Educational Services, Inc.
Houston, Texas

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 Pro-Vision Educational Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pro-Vision Educational Services, Inc.'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 Pro-Vision Educational Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Pro-Vision Educational Services, Inc.'s internal control.

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

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

Finding #2018-001

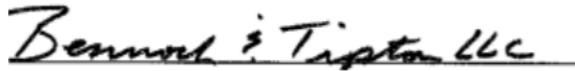
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pro-Vision Educational Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Bennoch & Tipton LLC". The signature is written in a cursive style and is underlined.

Bennoch & Tipton LLC
Certified Public Accountants
Houston, Texas

January 25, 2019

PRO-VISION EDUCATIONAL SERVICES, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditors' Results

Type of auditors' report issued:	Unmodified
Internal Control over financial reporting:	
One or more material weakness(es) identified?	None
One or more significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted:	None

B. Financial Statement Findings

Finding #2018-001 - Significant Deficiency

Criteria: The management of Pro-Vision Educational Services, Inc. is responsible for establishing a system of internal control for complete and accurate accounting and financial reports.

Condition: During our audit, we noted certain accrued expenses were not recorded in the general ledger due to the School's 3rd party back office support office not recording the accruals and the expenses, thereby understating expenses by approximately \$269,000.

Cause: Pro-Vision Education Services, Inc. did not properly monitor it's 3rd party back office support, thereby resulting in certain accruals and expenses not being recorded on the books resulting in an incomplete and inaccurate financial position of the School.

Effect: As in the prior year, management of Pro-Vision Education Services, Inc. did not have a complete and accurate picture of the financial position of the School and did not make the necessary adjustments of controlling expenses or raising capital to offset the significant decrease in net assets.

Recommendation: We recommend that the School implement internal controls to monitor their 3rd party back office support on a monthly basis to ensure they are receiving complete and accurate financial statements to have a true picture of the overall financial performance of the School and allow management to make the necessary decisions to mitigate any shortfalls.

Management's Response: The organization will meet on a weekly basis to review financial information and strive to ensure that it is presenting information accurately to facilitate and further enhance the decision making process. In addition, the organization is making efforts to secure its own internal financial department to further ensure proper accounting oversight and monitoring.

C. Prior Year Findings - Financial Statement Audit

Finding #2017-001 - Significant Deficiency

Finding: During our audit, we noted certain expenses were not recorded in the general ledger due to the School's 3rd party back office support office failing to record and pay the Schools bills and the Schools failure to properly oversee their work.

Recommendation: We recommend that the School implement internal controls to monitor their 3rd party back office support on a monthly basis as not to get behind on payments and have a true picture of the overall financial performance of the School and allow management to make the necessary decisions to mitigate any shortfalls.

Current Status: Once again, we noted that the School did not implement internal controls to monitor their 3rd party back office support on a monthly basis and as a result certain accruals and expenses were not recorded during the fiscal year. Management did not have a true picture of the overall financial performance of the School and allow them to make the necessary decisions to mitigate any shortfalls.

PRO-VISION EDUCATIONAL SERVICES, INC.
APPENDIX I – BUDGET TO ACTUAL VARIANCE EXPLANATIONS
FOR THE YEAR ENDED AUGUST 31, 2018

Function 31	The amount of the variance includes an increase in services due to increased student enrollment and the need for additional services.
Function 51	The amount of the variance includes an increase in maintenance expenses due to the need for building repairs, mold remediation, and unexpected expenses related to building preparation and city mandated fire watch services for the temporary satellite location.
Function 52	The amount of the variance includes a decrease in expenses as a result of negotiating better rates with a new vendor/service provider.
Function 53	The increase in variance includes an increase in expenses as a result of a necessary change of vendor for back office services support and the need for additional data support.
Function 61	The amount of the variance includes a decrease in expenses as a result of negotiating better rates with vendors, as well as designing marketing materials in house versus contracting the service to an outside vendor.

Corrective Action – Pro-Vision has taken steps to ensure all adjustments are posted on a timely basis throughout the year in order to ensure the charter’s budget and budget-to-actuals are accurate. A stronger emphasis on financial reporting and planning on a monthly basis has been established. As a result, Pro-Vision will more carefully monitor each function to ensure compliance with the requirements in efforts to properly inform the decision making process of management and those charged with governance.