

# Pro-Vision Educational Services, Inc.

Financial Statements and Independent Auditors' Report  
for the Year Ended August 31, 2016  
(with comparative totals for 2015)



**BENNOCH & WALKER** CPA  
CERTIFIED PUBLIC ACCOUNTANTS

# Pro-Vision Educational Services, Inc.

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**Pro-Vision Educational Services, Inc.**

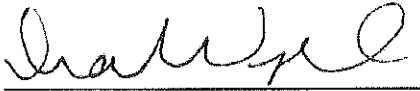
Federal Employer Identification Number: 20-5490040

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, 2016, at a meeting of the Board of Directors of such charter holder on the 25 day of January, 2016.



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

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, 2016, 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 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 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 auditors' 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, 2016, 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.

#### **Report on Summarized Comparative Information**

We have previously audited the Pro-Vision Educational Services, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, 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:

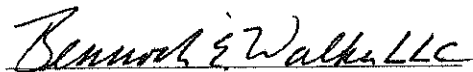
- a) Specific Purpose Financial Statements – Statement of Financial Position and Statement of Activities.
- b) Supplementary Information – Schedule of Expenses, Schedule of Capital Assets, and Budgetary Comparison Schedule.

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 November 26, 2016, 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 & Walker LLC  
Certified Public Accountants  
Houston, Texas

November 26, 2016

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2016 (with comparative totals for 2015)**

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 220,828	\$ 290,500
Accounts receivable	304,461	115,207
Other current assets	-	7,391
<b>Total Current Asset</b>	<u>525,289</u>	<u>413,098</u>
<b>Other Assets</b>		
Property and Equipment		
Building	160,105	160,105
Furniture and equipment	505,972	445,059
Accumulated depreciation	<u>(383,516)</u>	<u>(288,499)</u>
<b>Total Property and Equipment, net</b>	<u>282,561</u>	<u>316,665</u>
<b>Total Assets</b>	<u>\$ 807,850</u>	<u>\$ 729,763</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 19,113	\$ 101,571
Accrued expense	78,803	79,062
Current portion of capital lease	<u>9,797</u>	<u>9,963</u>
<b>Total Current Liabilities</b>	107,713	190,596
<b>Long-term Liabilities</b>		
Capital Lease, net of current portion	<u>-</u>	<u>7,649</u>
<b>Total Liabilities</b>	<u>107,713</u>	<u>198,245</u>
<b>Net Assets</b>		
Unrestricted	700,137	531,518
Temporarily restricted	<u>-</u>	<u>-</u>
<b>Total Net Assets</b>	<u>700,137</u>	<u>531,518</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 807,850</u>	<u>\$ 729,763</u>

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

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2016 (with comparative totals for 2015)**

<b>REVENUE</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2016 Total</b>	<b>2015 Total</b>
<b>Local Revenue:</b>				
5740 Other local revenue	\$ 17,336	\$ -	\$ 17,336	\$ 10,468
5750 Food service, cocurricular & enterprising	964	-	964	690
Total Local Revenue	<u>18,300</u>	<u>-</u>	<u>18,300</u>	<u>11,158</u>
<b>State Program Revenue:</b>				
5810 Foundation School Program	3,567,317	-	3,567,317	3,282,741
5820 Other state revenue (TEA)	48,339	-	48,339	1,148
Total State Program Revenues	<u>3,615,656</u>	<u>-</u>	<u>3,615,656</u>	<u>3,283,889</u>
<b>Federal Program Revenues:</b>				
<b>Pass through TEA</b>				
5920 Federal Revenue	472,452	-	472,452	370,709
Total Federal Program Revenues	<u>472,452</u>	<u>-</u>	<u>472,452</u>	<u>370,709</u>
<b>Total Revenue</b>	<u>4,106,408</u>	<u>-</u>	<u>4,106,408</u>	<u>3,665,756</u>
<b>Net Assets Released from Temporary Restrictions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues and Net Assets Released from Restrictions</b>	<u>4,106,408</u>	<u>-</u>	<u>4,106,408</u>	<u>3,665,756</u>
<b>EXPENSES</b>				
<b>Program Services:</b>				
10 Instruction and instructional related services	2,018,108	-	2,018,108	1,979,353
20 Instructional school leadership	284,625	-	284,625	173,834
Total Program Services	<u>2,302,733</u>	<u>-</u>	<u>2,302,733</u>	<u>2,153,187</u>
<b>Supporting Services:</b>				
30 Support services-student	619,052	-	619,052	613,664
40 Administrative support services	402,928	-	402,928	400,645
50 Support services-non student	609,596	-	609,596	504,861
60 Ancillary services	561	-	561	1,311
70 Debt service	2,919	-	2,919	2,518
Total Supporting Services	<u>1,635,056</u>	<u>-</u>	<u>1,635,056</u>	<u>1,522,999</u>
<b>Total Expenses</b>	<u>3,937,789</u>	<u>-</u>	<u>3,937,789</u>	<u>3,676,186</u>
<b>Change in net assets</b>	168,619	-	168,619	(10,430)
<b>Net assets, beginning of year</b>	<u>531,518</u>	<u>-</u>	<u>531,518</u>	<u>541,948</u>
<b>Net assets, end of year</b>	<u>\$ 700,137</u>	<u>\$ -</u>	<u>\$ 700,137</u>	<u>\$ 531,518</u>

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

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2016 (with comparative totals for 2015)**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from federal sources	\$ 462,465	\$ 440,258
Cash received from state sources	3,436,389	3,270,388
Cash received from local sources	18,300	11,158
Payments to suppliers	(1,990,245)	(1,686,866)
Payments to employees	(1,739,952)	(1,671,526)
Payments for employee benefits	<u>(187,901)</u>	<u>(180,143)</u>
Net Change from Operating Activities	<u>(944)</u>	<u>183,269</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	<u>(60,913)</u>	<u>(20,000)</u>
Net Change from Investing Activities	<u>(60,913)</u>	<u>(20,000)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on capital lease obligations	<u>(7,815)</u>	<u>(8,573)</u>
Net Change from Financing Activities	<u>(7,815)</u>	<u>(8,573)</u>
Net change in Cash and Cash Equivalents	(69,672)	154,696
Cash and Cash Equivalents, Beginning of Year	<u>290,500</u>	<u>135,804</u>
Cash and Cash Equivalents, End of Year	<u>\$ 220,828</u>	<u>\$ 290,500</u>
<b>Reconciliation of Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities</b>		
Change in unrestricted net assets	\$ 168,619	\$ (10,430)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	95,017	97,856
Changes in assets and liabilities:		
Accounts receivable	(189,254)	56,047
Due from Provision Inc.	-	34,150
Other assets	7,391	(6,448)
Accounts payable	(82,458)	72,177
Due to Provision Inc.	-	(38,889)
Accrued expenses	<u>(259)</u>	<u>(21,194)</u>
Net Change from Operating Activities	<u>\$ (944)</u>	<u>\$ 183,269</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 2,917</u>	<u>\$ 2,519</u>

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



**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.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2016 (with comparative totals for 2015)

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- **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 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, 2016 and 2015, 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

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2016 (with comparative totals for 2015)

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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, 2016 and 2015 was \$95,017 and \$97,856, 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.

**Personal Leave** – Employees are not granted personal leave or vacation time; therefore, no liability is accrued on the financial statements for unused time applicable to vacation or personal leave.

**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, 2016 and 2015, advertising expenses totaled \$1,463 and \$0, 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, 2016 and 2015, 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.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 (with comparative totals for 2015)**

**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, 2016 and 2015 of \$220,828 and \$290,500, respectively.

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, 2016 and 2015, the School had earned the following revenues which were not received until after September 1, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Due from Texas Education Agency	\$ 291,827	\$ 112,560
Due from U.S. Department of Education	<u>12,634</u>	<u>2,647</u>
Total	<u>\$ 304,461</u>	<u>\$ 115,207</u>

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 (with comparative totals for 2015)**

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 matures on April 30, 2017. The terms of the lease requires sixty (60) monthly installments of \$904 including imputed interest at ten percent (10%). The following is a schedule by year of future minimum payments required under the lease together with their present value as of August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Total minimum lease payments	\$ 12,714	\$ 18,860
Less amount representing interest	<u>(2,917)</u>	<u>(1,248)</u>
Present value of net minimum lease payments	<u>\$ 9,797</u>	<u>\$ 17,612</u>

Future maturities of capital lease obligations are as follows:

<u>Year ending August 31,</u>	
2017	<u>\$ 9,797</u>
Total	<u>\$ 9,797</u>

**NOTE 4 – DEFINED BENEFIT PENSION PLANS**

**Plan Description**

The Academy 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 Academy, 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 downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications Heading.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 6.7% for the 2016 fiscal period. The state's contribution rate as a non-employer contributing entity was 6.8% in 2016. The Academy's employees' contributions to the system for the years ended August 31, 2016 and 2015 were \$119,733 and \$107,613, respectively, equal to the required contributions for the year.

Other contributions made from federal and private grants and from the Academy for salaries above the statutory minimum were contributed at a rate of 6.8% totaling \$9,170 and \$7,631 for the year ended August 31, 2016 and 2015, respectively. The Academy's contributions into this plan do not represent more than 5% of the total contributions to the plan. The Academy's participation in the TRS plan for the years ended August 31, 2016 is outlined in the table below (ABO refers to the accumulated benefit obligation):

<u>Pension Fund</u>	<u>Total Plan Assets 2016</u>	<u>ABO 2016</u>	<u>Percent Funded</u>	<u>Surcharge Imposed</u>
TRS	\$134,008,637,473	\$171,797,150,487	78.00%	Yes

**NOTE 5 – HEALTH CARE COVERAGE**

During the year ended August 31, 2016 and 2015, 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 \$71,829 and \$76,378 towards the employee's medical coverage for the years ended August 31, 2016 and 2015, respectively. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents as well as themselves.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 (with comparative totals for 2015)**

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**NOTE 6 – ACCRUED SALARIES**

During August 2016 and 2015, The School's teachers worked several days for which they were not paid until after September 1, 2016 and 2015, respectively. Based on the daily rate of pay and the number of days worked, the School has accrued payroll of \$65,235 and \$74,385 to be paid after September 1, 2016 and 2015, respectively.

**NOTE 7 – WORKERS COMPENSATION INSURANCE**

During the 2015-2016 and 2014-2015 school years, the School carried worker's compensation insurance through Texas Mutual Insurance Company.

**NOTE 8 – 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 9 – 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 10 – 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, 2016 and 2015, the School was paid \$3,567,317 and \$3,282,741, respectively, of State Foundation Program funds (before any possible TEA enrollment and attendance audit).

The School had several days of instruction in August 2016 and 2015. Based on the estimated State Foundation Program revenue for the 2016-2017 and 2015-2016 school years as provided

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2016 (with comparative totals for 2015)

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by the Texas Education Agency, the School earned \$291,827 and \$112,560, respectively, of State Foundation Program revenue for these days of instruction. This revenue has been accrued at August 31, 2016 and 2015 and will be received after September 1, 2016 and 2015, respectively.

**NOTE 11 – 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, 2016, the Organization held \$94,430 and of funds that were uninsured by the FDIC.

**NOTE 12 – RELATED PARTY**

The School is related to another exempt non-profit organization, Pro-Vision, Inc. through common board members and sharing of facilities and equipment. The school building and certain equipment is owned by Pro-Vision, Inc. and leased to the School. See *Note 13 - Operating Leases* for the related party transactions. In addition, on September 1, 2015, the School entered into a service agreement with Pro-Vision, Inc. for transportation, recruiting, and development cost. The service agreement requires monthly installments of \$5,000 and began September 1, 2015 and expires August 31, 2017.

**NOTE 13 – OPERATING LEASES**

The School entered into a sixty (60) month operating lease agreement for the school building beginning January 1, 2011 with Pro-Vision, Inc., a related party (see *Note 12*). The operating lease was terminated on August 31, 2014. The terms of the lease required the School to pay \$24,000 each month. The lease agreement was amended and restated effective September 1, 2014 for an additional five (5) years. The new terms of the amended lease agreement increased the monthly rental payments to \$35,000 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 under an operating lease with monthly rental payments of \$2,149 and expiring October 2019.



**PRO-VISION EDUCATIONAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2016 (with comparative totals for 2015)

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The future lease payments required under the operating leases as of August 31, 2016 are as follows:

<u>Year ending August 31,</u>	
2017	\$ 565,788
2018	505,788
2019	505,788
2020	4,298
2021	-
Thereafter	<u>-</u>
Total	<u>\$ 1,581,662</u>

Total rent expense by the School for the years ended August 31, 2016 and 2015 were \$456,185 and \$457,084, respectively.

**NOTE 14 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Academy has evaluated events and transactions for potential recognition or disclosure through November 26, 2016, the date the financial statements were available to be issued. The Academy 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, 2016 (with comparative totals for 2015)**

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 220,828	\$ 290,500
Accounts receivable	304,461	115,207
Other current assets	<u>-</u>	<u>7,391</u>
<b>Total Current Asset</b>	<u>525,289</u>	<u>413,098</u>
<b>Other Assets</b>		
Property and Equipment		
Building	160,105	160,105
Furniture and equipment	505,972	445,059
Accumulated depreciation	<u>(383,516)</u>	<u>(288,499)</u>
<b>Total Property and Equipment, net</b>	<u>282,561</u>	<u>316,665</u>
<b>Total Assets</b>	<u>\$ 807,850</u>	<u>\$ 729,763</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 19,113	\$ 101,571
Accrued expense	78,803	79,062
Current portion of capital lease	<u>9,797</u>	<u>9,963</u>
<b>Total Current Liabilities</b>	107,713	190,596
<b>Long-term Liabilities</b>		
Capital lease, net of current portion	<u>-</u>	<u>7,649</u>
<b>Total Liabilities</b>	<u>107,713</u>	<u>198,245</u>
<b>Net Assets</b>		
Unrestricted	230,381	212,081
Temporarily restricted	<u>469,756</u>	<u>319,437</u>
<b>Total Net Assets</b>	<u>700,137</u>	<u>531,518</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 807,850</u>	<u>\$ 729,763</u>

*See accompanying notes to specific purpose financial statements.*

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2016 (with comparative totals for 2015)**

<b>REVENUE</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2016 Total</b>	<b>2015 Total</b>
<b>Local Revenue:</b>				
5740 Other local revenue	\$ 17,336	\$ -	\$ 17,336	\$ 10,468
5750 Food service, cocurricular & enterprising	964	-	964	690
<b>Total Local Revenue</b>	<b>18,300</b>	<b>-</b>	<b>18,300</b>	<b>11,158</b>
<b>State Program Revenue:</b>				
5810 Foundation School Program	-	3,567,317	3,567,317	3,282,741
5820 Other state revenue (TEA)	-	48,339	48,339	1,148
<b>Total State Program Revenues</b>	<b>-</b>	<b>3,615,656</b>	<b>3,615,656</b>	<b>3,283,889</b>
<b>Federal Program Revenues:</b>				
<b>Pass through TEA</b>				
5920 Federal Revenue	-	472,452	472,452	370,709
<b>Total Federal Program Revenues</b>	<b>-</b>	<b>472,452</b>	<b>472,452</b>	<b>370,709</b>
<b>Total Revenue</b>	<b>18,300</b>	<b>4,088,108</b>	<b>4,106,408</b>	<b>3,665,756</b>
<b>Net Assets Released from Temporary Restrictions</b>	<b>3,937,789</b>	<b>(3,937,789)</b>	<b>-</b>	<b>-</b>
<b>Total Revenues and Net Assets Released from Restrictions</b>	<b>3,956,089</b>	<b>150,319</b>	<b>4,106,408</b>	<b>3,665,756</b>
<b>Expenses</b>				
11 Instruction	1,856,005	-	1,856,005	1,836,906
13 Curriculum development and instructional staff development	162,103	-	162,103	142,447
23 School leadership	284,625	-	284,625	173,834
31 Guidance, counseling and evaluation services	93,029	-	93,029	94,070
33 Health services	1,058	-	1,058	1,945
34 Student transportation	146,150	-	146,150	177,750
35 Food services	208,521	-	208,521	202,434
36 Extracurricular	170,294	-	170,294	137,466
41 General administration	402,928	-	402,928	400,645
51 Plant maintenance	538,424	-	538,424	485,142
52 Security and monitoring services	28,232	-	28,232	2,129
53 Data processing	42,940	-	42,940	17,590
61 Community services	561	-	561	1,309
71 Debt service	2,919	-	2,919	2,519
<b>Total Expenses</b>	<b>3,937,789</b>	<b>-</b>	<b>3,937,789</b>	<b>3,676,186</b>
<b>Change in Net Assets</b>	<b>18,300</b>	<b>150,319</b>	<b>168,619</b>	<b>(10,430)</b>
<b>Net Assets, Beginning of Year</b>	<b>212,081</b>	<b>319,437</b>	<b>531,518</b>	<b>541,948</b>
<b>Net Assets, End of Year</b>	<b>\$ 230,381</b>	<b>\$ 469,756</b>	<b>\$ 700,137</b>	<b>\$ 531,518</b>

See accompanying notes to specific purpose financial statements.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**NOTES TO SPECIFIC PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016 (with comparative totals for 2015)**

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**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, 2016 (with comparative totals for 2015)**

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<b>Expenses</b>	<u>2016</u>	<u>2015</u>
6100 Payroll costs	\$ 1,952,268	\$ 1,850,482
6200 Professional and contracted services	1,473,576	1,370,967
6300 Supplies and materials	234,161	223,471
6400 Other operating costs	274,865	228,747
6500 Debt service	<u>2,919</u>	<u>2,519</u>
Total Expenses	<u>\$ 3,937,789</u>	<u>\$ 3,676,186</u>

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**SCHEDULE OF CAPITAL ASSETS**  
**FOR THE YEAR ENDED AUGUST 31, 2016 (with comparative totals for 2015)**

	Year Ended August 31, 2016 Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 220,828	\$ -
1520 Building and improvements	-	116,355	-
1539 Furniture and equipment	-	426,342	-
1549 Furniture and equipment (<\$5,000)	-	79,630	-
1551 Building (Capital lease)	-	43,750	-
<b>Total Capital Assets</b>	<b>\$ -</b>	<b>\$ 886,905</b>	<b>\$ -</b>

	Year Ended August 31, 2015 Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 290,500	\$ -
1520 Building and improvements	-	116,355	-
1539 Furniture and equipment	-	365,429	-
1549 Furniture and equipment (<\$5,000)	-	79,630	-
1551 Building (Capital lease)	-	43,750	-
<b>Total Capital Assets</b>	<b>\$ -</b>	<b>\$ 895,664</b>	<b>\$ -</b>



**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final		
<b>REVENUE</b>				
Local Revenue:				
5740 Other local revenue	\$ 5,400	\$ 86,000	\$ 17,336	\$ (68,664)
5750 Food service, cocurricular & enterprising	-	-	964	964
Total Local Revenue	<u>5,400</u>	<u>86,000</u>	<u>18,300</u>	<u>(67,700)</u>
State Program Revenue:				
5810 Foundation School Program	3,793,009	3,391,763	3,567,317	175,554
5820 Other state revenue (TEA)	-	-	48,339	48,339
Total State Program Revenues	<u>3,793,009</u>	<u>3,391,763</u>	<u>3,615,656</u>	<u>223,893</u>
Federal Program Revenues:				
<b>Pass through TEA</b>				
5920 Federal Revenue	335,704	515,130	472,452	(42,678)
Total Federal Program Revenues	<u>335,704</u>	<u>515,130</u>	<u>472,452</u>	<u>(42,678)</u>
Total Revenue	<u>4,134,113</u>	<u>3,992,893</u>	<u>4,106,408</u>	<u>113,515</u>
Net Assets Released from Temporary Restrictions				
	-	-	-	-
<b>Total Revenues and Net Assets Released from Restrictions</b>	<u>4,134,113</u>	<u>3,992,893</u>	<u>4,106,408</u>	<u>113,515</u>
<b>Expenses</b>				
Program Services:				
11 Instruction	1,929,542	1,848,999	1,856,005	7,006
13 Curriculum and staff development	149,173	154,640	162,103	7,463
23 School leadership	230,946	288,816	284,625	(4,191)
31 Guidance, counseling, evaluation services	160,034	93,861	93,029	(832)
33 Health services	850	1,200	1,058	(142)
34 Student transportation	76,250	141,400	146,150	4,750
35 Food services	213,691	266,500	208,521	(57,979) (A)
36 Extracurricular/cocurricular	164,545	178,365	170,294	(8,071)
41 General administration	468,497	399,117	402,928	3,812
51 Plant maintenance	536,500	519,479	538,424	18,945
52 Security and Monitoring Services	22,000	18,000	28,232	10,232
53 Data processing	24,000	35,500	42,940	7,440
61 Community Services	1,000	1,550	561	(989)
71 Debt Service	2,100	3,050	2,919	(131)
81 Fundraising	500	-	-	-
Total Expenses	<u>3,979,628</u>	<u>3,950,476</u>	<u>3,937,789</u>	<u>(12,687)</u>
<b>Change in Net Assets</b>	154,485	42,417	168,619	126,202
Net Assets, Beginning of Year	<u>531,518</u>	<u>531,518</u>	<u>531,518</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<u>\$ 686,003</u>	<u>\$ 573,935</u>	<u>\$ 700,137</u>	<u>\$ 126,202</u>

**Variance Explanations**

(A) The final budget amendment was over adjusted based on an annualized projection of 12 instead of 10 months; however, the original budget was sufficient to cover the expenses.



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

To the Board of Directors  
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., which comprise the statement of financial position as of August 31, 2016, 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 November 26, 2016.

**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.

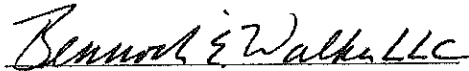
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 result 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.



Bennoch & Walker LLC  
Certified Public Accountants  
Houston, Texas

November 26, 2016

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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**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? None

Noncompliance material to financial statements noted: None

**B. Financial Statement Findings** None

**C. Prior Year Findings - Financial Statement Audit** None