

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**Financial Statements and Independent Auditors' Report**  
**For the Year Ended August 31, 2021**  
**(With comparative totals for 2020)**

**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 Pro-Vision Educational Services, Inc. was reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended August 31, 2021, at a meeting of the governing body of the charter holder on the 12<sup>th</sup> day of January, 2022.



Signature of Board Secretary



Signature of Board President

Note: If the governing body of the charter holder does not approve the independent auditor's report, it must forward a written statement discussing the reason(s) for not approving the report.



## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of Pro-Vision Education Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pro-vision Education Services, Inc. as of August 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pro-vision Education Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pro-vision Education Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting



from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pro-Vision Educational Services Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pro-Vision Educational Services Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

We have previously audited Pro-Vision Educational Services Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 18 to 23 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 12, 2022, on our consideration of Pro-Vision Educational Services, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulation, 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.

*nctp cpas, pllc*

Houston, Texas  
January 12, 2022

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2021 (with comparative totals for 2020)**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 756,708	\$ 904,708
Due from state	323,548	176,285
Other receivables	20,332	20,332
Total Current Assets	<u>1,100,588</u>	<u>1,101,325</u>
<i>Other Assets</i>		
Property and equipment		
Building	247,196	247,196
Furniture and equipment	607,344	607,344
Vehicles	30,251	30,251
Accumulated depreciation	<u>(738,934)</u>	<u>(697,120)</u>
Total Property and Equipment, net	<u>145,857</u>	<u>187,671</u>
<b>Total Assets</b>	<u><u>1,246,445</u></u>	<u><u>1,288,996</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<i>Current Liabilities</i>		
Accounts payable	50,161	53,887
Accrued expenses	129,494	69,751
Other current liabilities	30,076	4,750
Long-term debt - current portion	-	180,235
Total Current Liabilities	<u>209,731</u>	<u>308,623</u>
Long-term debt - non-current portion	-	757,785
<b>Total Liabilities</b>	<u>209,731</u>	<u>1,066,408</u>
<b>Net Assets</b>		
Without donor restriction	900,946	131,526
With donor restriction	<u>135,768</u>	<u>91,062</u>
<b>Total Net Assets</b>	<u>1,036,714</u>	<u>222,588</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,246,445</u></u>	<u><u>\$ 1,288,996</u></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, 2021 (with comparative totals for 2020)**

	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
<b>REVENUE</b>				
Local Revenue:				
5740 Other local revenue	\$ 769,420	\$ -	\$ 769,420	\$ 16,673
5750 Food service, curriculum & enterprising	-	-	-	763
Total Local Revenue	<u>769,420</u>	<u>-</u>	<u>769,420</u>	<u>17,436</u>
State Program Revenue:				
5810 Foundation school program	-	4,478,830	4,478,830	5,145,802
5820 Other state revenue (TEA)	-	54,105	54,105	32,840
5830 Other state revenue (other than TEA)	-	2,662	2,662	62,000
Total State Program Revenue	<u>-</u>	<u>4,535,597</u>	<u>4,535,597</u>	<u>5,240,642</u>
Federal Program Revenues:				
<i>Passed through TEA</i>				
5920 Federal revenue	-	976,710	976,710	528,021
Total Federal Program Revenue	<u>-</u>	<u>976,710</u>	<u>976,710</u>	<u>528,021</u>
Net Assets Released from Restrictions	<u>5,467,601</u>	<u>(5,467,601)</u>	<u>-</u>	<u>-</u>
<b>Total Revenue and Other Support</b>	<u>6,237,021</u>	<u>44,706</u>	<u>6,281,727</u>	<u>5,786,099</u>
<b>Expenses</b>				
11 Instruction	2,376,254	-	2,376,254	2,388,784
13 Curriculum and staff development	20,338	-	20,338	21,704
23 School leadership	267,703	-	267,703	384,460
31 Guidance, counseling, evaluation services	87,791	-	87,791	162,776
33 Health services	-	-	-	170
34 Student transportation	197,894	-	197,894	299,268
35 Food services	250,263	-	250,263	213,975
36 Extracurricular/cocurricular	13,414	-	13,414	91,707
41 General administration	633,964	-	633,964	582,472
51 Plant maintenance	1,316,067	-	1,316,067	1,184,502
52 Security and monitoring services	84,822	-	84,822	79,335
53 Data processing	134,772	-	134,772	150,792
61 Community services	63,918	-	63,918	65,763
71 Debt service	20,401	-	20,401	19,625
81 Fundraising	-	-	-	257
Total Expenses	<u>5,467,601</u>	<u>-</u>	<u>5,467,601</u>	<u>5,645,590</u>
<b>Change in Net Assets</b>	<u>769,420</u>	<u>44,706</u>	<u>814,126</u>	<u>140,509</u>
Net Assets, Beginning of Year	<u>131,526</u>	<u>91,062</u>	<u>222,588</u>	<u>82,079</u>
<b>Net Assets, End of Year</b>	<u>\$ 900,946</u>	<u>\$ 135,768</u>	<u>\$ 1,036,714</u>	<u>\$ 222,588</u>

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



**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)**

	<b>2021</b>					<b>Total</b>	<b>2020</b>
	<b>Payroll Costs</b>	<b>Professional &amp; Contracted Services</b>	<b>Supplies &amp; Materials</b>	<b>Other Operating Expenses</b>	<b>Debt Service</b>		
Program Services:							
Instruction & Instructional Related Services	\$ 1,899,648	\$ 405,274	\$ 71,160	\$ 20,510	\$ -	\$ 2,396,592	\$ 2,410,488
Instructional & School Leadership	162,165	104,647	715	176	-	267,703	384,460
Student Support Services	64,508	357,536	115,636	11,682	-	549,362	767,896
Community Services	63,318	-	-	600	-	63,918	65,763
	<u>2,189,639</u>	<u>867,457</u>	<u>187,511</u>	<u>32,968</u>	<u>-</u>	<u>3,277,575</u>	<u>3,628,607</u>
Support Services:							
Administrative Support Services	206,762	336,419	9,581	81,202	-	633,964	582,472
Support Services	130,407	1,323,441	16,361	65,452	20,401	1,556,062	1,434,511
	<u>337,169</u>	<u>1,659,860</u>	<u>25,942</u>	<u>146,654</u>	<u>20,401</u>	<u>2,190,026</u>	<u>2,016,983</u>
	<u>\$ 2,526,808</u>	<u>\$ 2,527,317</u>	<u>\$ 213,453</u>	<u>\$ 179,622</u>	<u>\$ 20,401</u>	<u>\$ 5,467,601</u>	<u>\$ 5,645,590</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, 2021 (with comparative totals for 2020)**

	2021	2020
<b>Cash Flows From Operating Activities</b>		
Cash received from federal sources	\$ 976,710	\$ 528,021
Cash received from state sources	4,388,334	5,331,704
Cash received from local sources	769,420	17,436
Payments to suppliers	(2,902,705)	(2,861,400)
Payments to employees	(2,178,072)	(2,597,260)
Payments for employee benefits	(263,667)	(402,736)
Net Change from Operating Activities	<u>790,020</u>	<u>15,765</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from installment agreement	(733,410)	733,410
Payments on promissory note	(180,235)	(169,765)
Payments on installment agreement	(24,375)	(9,375)
Net Change from Investing Activities	<u>(938,020)</u>	<u>554,270</u>
Net change in Cash and Cash Equivalents	<u>(148,000)</u>	<u>570,035</u>
Cash and Cash Equivalents, Beginning of Year	<u>904,708</u>	<u>334,673</u>
Cash and Cash Equivalents, End of Year	<u>\$ 756,708</u>	<u>\$ 904,708</u>
<b>Reconciliation of Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities</b>		
Change in unrestricted net assets	\$ 814,126	\$ 140,509
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	41,814	45,381
Changes in assets and liabilities:		
Due from state	(147,263)	91,062
Other receivables	-	(16,742)
Prepaid expense	-	25,619
Accounts payable	(3,726)	(214,690)
Other current liabilities	25,326	-
Accrued expenses	59,743	(55,374)
Net Change from Operating Activities	<u>\$ 790,020</u>	<u>\$ 15,765</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Operating activities reflect interest paid	<u>\$ 11,250</u>	<u>\$ 19,431</u>

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

**PRO-VISION EDUCATIONAL SERVICES, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)**

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**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.

**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.

**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) issued Accounting Standard Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under this standard update, the School is required to report information regarding its financial position and activities according to the following net assets classification:

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)

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- **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the School's management and the board of directors.
- **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**Recent Accounting Pronouncements** – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these two standards. Under the deferral for leases rules, private companies and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statements of activities disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. The ASU is effective for a not-for-profit entity for annual periods beginning after June 15, 2021.

**Contributions** – In accordance with FASB ASC 958-605-45-3, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized as an increase to supports without donor restrictions 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 supports without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as net assets with donor restrictions, depending on the nature of the donor restriction when received. Supports with donor restrictions are reclassified to net assets without donor restrictions upon expiration or fulfillment of the restriction.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)

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**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 net assets without restrictions. 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 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, 2021 and 2020, 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, 2021 and 2020 was \$41,814 and \$45,381, 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 allocated personal days each year and may carry over a fixed number to the next fiscal year.

**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.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)

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**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, 2021 and 2020, 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 *Topic 820, Fair Value Measurements*, 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, 2021 and 2020 of \$756,708 and \$904,708, 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.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)**

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**Reclassifications** – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. There was no effect on the change in net assets resulting from these reclassifications.

**NOTE 2 – DUE FROM STATE**

At August 31, 2021 and 2020, the School had earned the following revenues which were not received until after September 01, 2020 and 2019, respectively:

	<u>2021</u>	<u>2020</u>
Due from State	\$ 323,548	\$ 176,285

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 – LIQUIDITY AND AVAILABILITY**

Financial assets are available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, and comprise of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 756,708	\$ 904,708
Due from State	323,548	176,285
Other receivables	<u>20,332</u>	<u>20,332</u>
	<u>\$ 1,100,588</u>	<u>\$ 1,101,325</u>

Per policy, the School strives to maintain liquid financial assets sufficient to cover 90 days of operating expenses. To achieve this target, the School forecasts its future cash flows and monitors liquidity on a monthly basis as well as manages liquidity as follows:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets to fund near-term operating needs; and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)

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**NOTE 4 – LONG-TERM DEBT**

On April 1, 2019, the school obtained an unsecured promissory note payable of \$350,000 from ProVision, Inc. Monthly payments of \$15,512.21, including an imputed annual interest rate of at 6.00%, shall be due and payable beginning September 30, 2019. Interest will begin to accrue on September 1, 2019. The loan had a maturity date of September 30, 2021, however principal balance and interest of \$115,904 was fully paid off on February 11, 2021.

April 1, 2019, the school obtained an equipment finance loan of \$33,750 from Navitas Credit Corp. for the purchase of five Epson projectors. Payments of \$1,231.45, including an imputed annual interest rate of 18.67%, shall be due and payable in 36 monthly installments, beginning November 2019. The loan is collateralized by the equipment. On February 26, 2021 the loan balance and interest of \$26,666 was fully paid off.

On May 5, 2020, the School received loan proceeds in the amount of \$733,410 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’ average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight to 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two to five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The loan’s full principal amount of \$733,410 was fully forgiven in November 2020.

As of August 31, 2021, there was no outstanding debt. At August 31, 2020, the current and long-term portions of debt were \$180,235 and \$757,785, respectively. Total interest expense for the years ended August 31, 2021 and 2020 were \$11,250 and \$19,431, respectively.

**NOTE 5 – OPERATING LEASES**

The School entered into a sixty (60) month operating lease agreement for the school building with Provision, inc. on September 1, 2014. The monthly rental payments were \$35,000 each month for the first twenty-four (24) months and \$40,000 for the remaining thirty-six (36) months of the lease. The lease was amended on September 1, 2019 with initial period of 10 years from commencement date with an option to extend for an additional 10 years. Monthly rental rate will be as follows:

<u>Month</u>	<u>Rent Amount</u>
1 – 36	\$62,000
37 - 72	\$66,000
73 - 120	\$70,000

Total rent expense by the School for the years ended August 31, 2021 and 2020 was \$850,807 and \$876,346, respectively.



**PRO-VISION EDUCATIONAL SERVICES, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)

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**NOTE 6 – 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 downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://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 7.75% for the 2021 and 2020 fiscal periods. The state’s contribution rate as a non-employer contributing entity was 7.75% in 2021. The School’s employees’ contributions to the system for the years ended August 31, 2021 and 2020 were \$101,819 and \$191,808, respectively, and equal to the required contributions for the year.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)**

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**NOTE 7 – HEALTH CARE COVERAGE**

During the years ended August 31, 2021 and 2020, employees of the School were covered by health insurance plans through Blue Cross Blue Shield of Texas. The School contributes \$306 towards the medical premiums for the employees and their dependents. The School does not make contributions towards the employees' dental/vision plan and the entire cost is the responsibility of the employees. The School contributed \$115,298 and \$118,418 towards the employee's medical coverage for the years ended August 31, 2021 and 2020, respectively. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents as well as themselves.

**NOTE 8 – WORKERS COMPENSATION INSURANCE**

During the 2019-2020 and 2020-2021 school years, the School carried worker's compensation insurance through Texas Mutual Insurance Company.

**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, 2021 and 2020, the School was paid \$4,478,830 and \$5,145,802, respectively, of State Foundation Program funds (before any possible TEA enrollment and attendance audit).

The School had several days of instruction in August 31, 2021 and 2020. Based on the estimated State Foundation Program revenue for the 2020-2021 and 2019-2020 school years as provided by the Texas Education Agency, the School earned \$323,548 and \$176,285, respectively, of State Foundation Program revenue for these days of instruction. This revenue has been accrued at August 31, 2021 and 2020 and will be received after September 1, 2021 and 2020, respectively.

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)**

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**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, 2021 and 2020, \$332,663 and \$466,351 of the School's cash balances were not covered by the FDIC, respectively.

**NOTE 12 – SUBSEQUENT EVENTS**

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through January 12, 2022, the date the financial statements were available to be issued. Except for the below paragraph, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, support from the state and local government, and its employees. Given the daily evolution of the COVID-19 pandemic and the global and local responses to curb the spread, the School is not able to estimate the effects of this outbreak on its results of operations, financial condition or liquidity for the next fiscal year.

## **SUPPLEMENTARY INFORMATION**

**PRO-VISION EDUCATIONAL SERVICES, INC.**

**SCHEDULE OF EXPENSES**

FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)

<b>Expenses</b>	<u>2021</u>	<u>2020</u>
6100 Payroll costs	\$ 2,526,808	\$ 3,004,622
6200 Professional and contracted services	2,527,317	2,156,321
6300 Supplies and materials	213,453	336,783
6400 Other operating costs	179,622	128,238
6500 Debt service	<u>20,401</u>	<u>19,625</u>
Total Expenses	<u>\$ 5,467,601</u>	<u>\$ 5,645,590</u>

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**SCHEDULE OF CAPITAL ASSETS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 (with comparative totals for 2020)**

	Year Ended August 31, 2021		
	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 756,708	\$ -
1520 Building and improvements	-	203,446	-
1531 Vehicles	-	30,251	-
1539 Furniture and equipment	-	527,714	-
1549 Furniture and equipment (<\$5,000)	-	79,630	-
1551 Building (Capital lease)	-	43,750	-
Total Capital Assets	<u>\$ -</u>	<u>1,641,499</u>	<u>\$ -</u>

	Year Ended August 31, 2020		
	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 904,708	\$ -
1520 Building and improvements	-	203,446	-
1531 Vehicles	-	30,251	-
1539 Furniture and equipment	-	527,714	-
1549 Furniture and equipment (<\$5,000)	-	79,630	-
1551 Building (Capital lease)	-	43,750	-
Total Capital Assets	<u>\$ -</u>	<u>1,789,499</u>	<u>\$ -</u>

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR AUGUST, 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance from	
	Original	Final		final Budget	
<b>REVENUE</b>					
Local Revenue					
5740 Other local revenue	\$ -	\$ 769,420	\$ 769,420	\$ -	0%
Total Local Revenue	-	769,420	769,420	-	
State Program Revenue					
5810 Foundation school program	4,779,941	4,515,928	4,478,830	(37,098)	-1%
5820 Other state revenue (TEA)	-	54,105	54,105	-	0%
5830 Other state revenue (other than TEA)	-	2,662	2,662	-	0%
Total State Program Revenue	4,779,941	4,572,695	4,535,597	(37,098)	
Federal Program Revenues					
<i>Pass through TEA</i>					
5920 Federal revenue	970,741	933,140	976,710	43,570	5%
Total Federal Program Revenue	970,741	933,140	976,710	43,570	
<b>Total Revenue</b>	<b>5,750,682</b>	<b>6,275,255</b>	<b>6,281,727</b>	<b>6,472</b>	<b>0%</b>
<b>Expenses</b>					
11 Instruction	2,312,975	2,275,575	2,376,254	100,679	4%
13 Curriculum and staff development	8,000	20,338	20,338	-	0%
23 School leadership	440,523	267,703	267,703	-	0%
31 Guidance, counseling, evaluation services	60,000	57,516	87,791	30,275	53%
34 Student transportation	288,630	191,844	197,894	6,050	3%
35 Food services	250,001	159,263	250,263	91,000	57%
36 Extracurricular/cocurricular	27,000	13,414	13,414	-	0%
41 General administration	459,157	635,423	633,964	(1,459)	0%
51 Plant maintenance	1,134,890	1,254,067	1,316,067	62,000	5%
52 Security and monitoring services	25,000	146,822	84,822	(62,000)	-42%
53 Data processing	105,000	134,772	134,772	-	0%
61 Community services	99,935	63,918	63,918	-	0%
71 Debt service	186,147	20,401	20,401	-	0%
Total Expense	5,397,258	5,241,056	5,467,601	226,545	4%
<b>Change in Net Assets</b>	<b>353,424</b>	<b>1,034,198</b>	<b>814,126</b>	<b>(220,072)</b>	<b>-21%</b>
Net Assets, Beginning of Year	222,588	222,588	222,588	222,588	
<b>Net Assets, End of Year</b>	<b>\$ 576,012</b>	<b>\$ 1,256,786</b>	<b>\$ 1,036,714</b>	<b>\$ 2,516</b>	<b>0%</b>

*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 must include a written statement discussing the cause of the variance and the corrective actions that was taken to ensure that the charter school adheres to its budget. The above schedule did not disclose any variance that exceeded 10%, for the exception of Guidance, counseling, evaluation services and Food services.*

*Statement on budget variances:*

*31 Guidance, Counseling, Evaluation Services – Professional Services, previously coded to function 11 were appropriately reclassified to function 31, and submitted for ESSER reimbursement.*

*35 Food Service – The charter had an outstanding receivable of \$91,000 from prior years, which was no longer considered collectible, and therefore written off during the current year.*

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST**  
**FOR THE YEAR AUGUST, 31, 2021**

<u>Description</u>	<u>Property Address</u>	<u>Total Assessed</u> <u>Value</u>	<u>Ownership Interest</u>		
			<u>Local</u>	<u>State</u>	<u>Federal</u>
N/A					



**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**SCHEDULE OF RELATED PARTY TRANSACTIONS**  
**FOR THE YEAR AUGUST, 31, 2021**

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During FY</u>	<u>Principal Balance Due</u>
None.								

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS**  
**FOR THE YEAR AUGUST, 31, 2021**

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During FY</u>	<u>Principal Balance Due</u>
None.								



**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 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. (a Texas nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2022.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the school's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the school'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 school's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*nctp cpas, pllc*

Houston, Texas  
January 12, 2022

**PRO-VISION EDUCATIONAL SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

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**A. Summary of Auditors' Results**

Type of auditors' report issued:	Unmodified
Internal Control over financial reporting:	None
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**

*No matters were reported.*

**C. Prior Year Findings - Financial Statement Audit**

*No matters were reported.*