

**IMAGINE SCHOOLS AT  
SOUTH LAKE  
(A Division of Educational  
Charter Foundation of  
Florida, Inc.)**

**Basic Financial Statements and  
Supplemental Information**

**For the year ended  
June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Educational Charter Foundation of Florida, Inc.  
Clermont, Florida

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imagine Schools at South Lake (the "School"), a division of the Educational Charter Foundation of Florida, Inc., LLC, (the "Charterholder") and a component unit of the School Board of Lake County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

September 3, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Management's Discussion and Analysis

As management of Imagine Schools at South Lake (the "School"), a division of Educational Charter Foundation of Florida, Inc. (the "Charterholder"), and a component unit of the School Board of Lake County, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found starting on page 8.

### Financial Highlights

- The School's assets exceeded its liabilities at June 30, 2015 by \$1,162,925 (net position).
- The School's total net position increased by \$444,689.
- At June 30, 2015, the School's balance sheet reported an ending general fund balance of \$535,065.
- At June 30, 2015, the School's general fund balance increased by \$60,064.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and transportation are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School Board of Lake County, Florida. The School Board of Lake County, Florida includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund financial statements.** A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances. The general fund and the capital outlay fund are considered to be the School's major funds.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules and note to these schedules have been provided to demonstrate compliance with these budgets and can be found on pages 27 through 29 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

## Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, assets exceeded liabilities by \$1,162,925 and \$718,236, for the years ended June 30, 2015 and 2014, respectively.

At the end of the current fiscal year, the School reports positive balances in all categories of net position. A portion of the School's net position reflects its net investment in capital assets (e.g., buildings and fixed equipment and furniture, fixtures and equipment, computer software, IT equipment and vehicles). The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Comparison of the condensed statement of net position and the statement of activities are provided below.

### Statement of Net Position

	Governmental Activities		
	2015	2014	Variance
<b>ASSETS</b>			
Current assets	\$ 853,911	\$ 1,306,241	\$ (452,330)
Capital assets, net of accumulated depreciation	570,292	249,850	320,442
Total assets	1,424,203	1,556,091	(131,888)
<b>LIABILITIES</b>			
Current liabilities	238,656	815,233	(576,577)
Noncurrent liabilities	22,622	22,622	-
Total liabilities	261,278	837,855	(576,577)
<b>NET POSITION</b>			
Net investment in capital assets	547,670	141,989	405,681
Restricted	80,190	-	80,190
Unrestricted	535,065	576,247	(41,182)
Total net position	\$ 1,162,925	\$ 718,236	\$ 444,689

Current assets decreased primarily as a result of a timing of inflows and outflows of cash. Capital assets, net of accumulated depreciation, increased due to completion of a playing field and depreciation expense. Current liabilities decreased due to a decrease in accrued payroll and related benefits as well as unearned revenue from financing proceeds of long term debt compared to the prior year.

**Governmental activities.** Governmental activities increased the School's net position by \$444,689 at June 30, 2015 and decreased by \$45,368 at June 30, 2014.

The following table indicates the changes in net position for the School:

**Statement of Activities**

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Variance</b>
Revenues:			
Program revenues:			
Charges for services	\$ 248,714	\$ 411,515	\$ (162,801)
Operating grants and contributions	475,885	761,106	(285,221)
General revenues			
State passed through local school district	6,418,607	6,130,162	288,445
Federal passed through local school district	-	-	-
Contribution	-	-	-
Other revenues	500,827	-	500,827
Total revenues	<u>7,644,033</u>	<u>7,302,783</u>	<u>341,250</u>
Expenses:			
Basic instruction	3,003,591	3,198,372	(194,781)
Exceptional instruction	189,201	139,452	49,749
Health services	1,707	1,243	464
Media services	1,764	15,463	(13,699)
Staff development	19,776	1,387	18,389
Board of directors	15,200	12,500	2,700
School administration	1,508,635	1,547,027	(38,392)
Food services	213,099	219,162	(6,063)
Central services	41,674	62,188	(20,514)
Transportation	160,270	175,470	(15,200)
Operation of plant	1,837,592	1,782,790	54,802
Maintenance of plant	114,319	83,762	30,557
Community services	90,278	105,047	(14,769)
Interest on long-term liabilities	2,238	4,288	(2,050)
Total expenses	<u>7,199,344</u>	<u>7,348,151</u>	<u>(148,807)</u>
Change in net position	444,689	(45,368)	490,057
Net position - beginning	718,236	763,604	(45,368)
Net position - ending	<u>\$ 1,162,925</u>	<u>\$ 718,236</u>	<u>\$ 444,689</u>

The decrease in program revenues is due to the School receiving less state revenues and capital outlay funds. General revenues increased due to the increase in state passed through local school district funds and other local revenues from the use of prior year's unearned revenue.



The decrease in basic instruction is due to a decrease in teacher salary and the increase in exceptional instruction is due to an increase in teachers. The increase in plant operation is due to an increase in the School's facility rent. The decrease in community services is due to a decrease in students served in the School's before and after care programs.

### **Financial Analysis of the Government's Funds**

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The general fund is the main operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the general fund was \$472,681. The fund balance of the School's general fund increased by \$60,064 during the current fiscal year.

### **General Fund Budgetary Highlights**

The Board of Directors approved a budget for the general fund for fiscal year 2015. As a result, the general fund budgeted expenditures exceeded actual expenditures by \$27,699.

### **Capital Asset and Debt Administration**

**Capital Assets.** The School's net investment in capital assets, as of June 30, 2015, amounts to \$547,670. This net investment in capital assets includes buildings and fixed equipment, furniture, fixtures and equipment, computer software, IT equipment, and vehicles. Additional information on the School's capital assets can be found in Note C.

**Debt Administration.** The School's long-term liabilities at June 30, 2015 totaled \$22,622. Additional information on the School's long-term obligations can be found in Note D.

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to increase for the 2015/2016 school year.

### **Request for Information**

This financial report is designed to provide a general overview of Imagine Schools at South Lake's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Principal at 2750 Hartwood Marsh Road, Clermont, FL 34711.

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**STATEMENT OF NET POSITION**

**June 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 377,760
Accounts receivable	4,528
Due from management company	448,478
Due from other agency	5,844
Due from local school district	557
Due from related schools	2,059
Prepaid expenses	14,685
Total current assets	853,911
<b>CAPITAL ASSETS</b>	
Capital assets, net of accumulated depreciation	
Buildings and fixed equipment	493,143
Furniture, fixtures, and equipment	59,885
IT equipment	4,226
Vehicles	13,038
Total capital assets	570,292
Total assets	\$ 1,424,203
<b>LIABILITIES</b>	
Accounts payable	\$ 6,089
Accrued payroll and related benefits	232,567
Capital lease payable	
Due within one year	22,622
Total liabilities	261,278
<b>NET POSITION</b>	
Net investment in capital assets	547,670
Restricted for:	
Lunch program	80,190
Unrestricted	535,065
Total net position	\$ 1,162,925

The accompanying notes are an integral part of this financial statement.

Imagine Schools at South Lake  
(A division of Educational Charter Foundation of Florida, Inc.)

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 3,003,591	\$ -	\$ 42,437	\$ -	\$ (2,961,154)
Exceptional instruction	189,201	-	-	-	(189,201)
Health services	1,707	-	-	-	(1,707)
Media services	1,764	-	-	-	(1,764)
Staff development	19,776	-	-	-	(19,776)
Board of directors	15,200	-	-	-	(15,200)
School administration	1,508,635	-	-	-	(1,508,635)
Food services	213,099	107,269	126,369	-	20,539
Central services	41,674	-	-	-	(41,674)
Transportation	160,270	-	-	-	(160,270)
Operation of plant	1,837,592	8,565	307,079	-	(1,521,948)
Maintenance of plant	114,319	-	-	-	(114,319)
Community services	90,278	132,880	-	-	42,602
Interest on long-term liabilities	2,238	-	-	-	(2,238)
<b>Total governmental activities</b>	<b>\$ 7,199,344</b>	<b>\$ 248,714</b>	<b>\$ 475,885</b>	<b>\$ -</b>	<b>(6,474,745)</b>
General revenues:					
State passed through local school district					6,418,607
Other revenues					500,827
<b>Total general revenues</b>					<b>6,919,434</b>
Change in net position					444,689
Net position at July 1, 2014					718,236
Net position at June 30, 2015					<b>\$ 1,162,925</b>

The accompanying notes are an integral part of this financial statement.

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 377,760	\$ -	\$ -	\$ 377,760
Accounts receivable	4,528	-	-	4,528
Due from management company	448,478	-	-	448,478
Due from other funds	-	-	80,190	80,190
Due from other agency	5,844	-	-	5,844
Due from local school district	557	-	-	557
Due from related schools	2,059	-	-	2,059
Prepaid expenses	14,685	-	-	14,685
Total assets	<u>\$ 853,911</u>	<u>\$ -</u>	<u>\$ 80,190</u>	<u>\$ 934,101</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,089	\$ -	\$ -	\$ 6,089
Accrued payroll and related benefits	232,567	-	-	232,567
Due to other funds	80,190	-	-	80,190
Total liabilities	<u>318,846</u>	<u>-</u>	<u>-</u>	<u>318,846</u>
<b>FUND BALANCES</b>				
Nonspendable prepaid expenses	14,685	-	-	14,685
Restricted for:				
Lunch program	-	-	80,190	80,190
Assigned	47,699	-	-	47,699
Unassigned	472,681	-	-	472,681
Total fund balances	<u>535,065</u>	<u>-</u>	<u>80,190</u>	<u>615,255</u>
Total liabilities and fund balances	<u>\$ 853,911</u>	<u>\$ -</u>	<u>\$ 80,190</u>	<u>\$ 934,101</u>

The accompanying notes are an integral part of this financial statement.

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

**June 30, 2015**

Fund balances - total governmental funds \$ 615,255

The net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Buildings and fixed equipment, net	\$ 493,143	
Furniture, fixtures and equipment, net	59,885	
IT equipment, net	13,038	
Vehicles, net	<u>4,226</u>	
Total capital assets		570,292

Noncurrent liabilities (e.g. note payable) are not due and payable in the current period and therefore are not reported in the funds. (22,622)

Total net position of governmental activities \$ 1,162,925

The accompanying notes are an integral part of this financial statement.

**Imagine Schools at South Lake**  
(A division of Educational Charter Foundation of Florida, Inc.)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**

For the year ended June 30, 2015

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state	\$ -	\$ -	\$ 126,369	\$ 126,369
State passed through local school district	6,461,044	307,079	-	6,768,123
Other revenues	642,272	-	107,269	749,541
Total revenues	<u>7,103,316</u>	<u>307,079</u>	<u>233,638</u>	<u>7,644,033</u>
<b>Expenditures</b>				
Current:				
Basic instruction	2,985,638	-	-	2,985,638
Exceptional instruction	187,356	-	-	187,356
Health services	1,707	-	-	1,707
Media services	1,764	-	-	1,764
Staff development	19,776	-	-	19,776
Board of directors	15,200	-	-	15,200
School administration	1,508,635	-	-	1,508,635
Food services	-	-	213,099	213,099
Central services	41,674	-	-	41,674
Transportation	159,324	-	-	159,324
Operation of plant	1,503,817	307,079	-	1,810,896
Maintenance of plant	114,319	-	-	114,319
Community services	90,278	-	-	90,278
Fixed capital outlay	367,882	-	-	367,882
Debt service:				
Principal	43,644	-	-	43,644
Interest	2,238	-	-	2,238
Total expenditures	<u>7,043,252</u>	<u>307,079</u>	<u>213,099</u>	<u>7,563,430</u>
Net change in fund balances	60,064	-	20,539	80,603
Fund balances at July 1, 2014	475,001	-	59,651	534,652
Fund balances at June 30, 2015	<u>\$ 535,065</u>	<u>\$ -</u>	<u>\$ 80,190</u>	<u>\$ 615,255</u>

The accompanying notes are an integral part of this financial statement.

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2015**

Net change in fund balances - total government funds	\$ 80,603
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Total fixed capital outlay	\$ 367,882	
Less: depreciation	<u>(47,440)</u>	
		320,442

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Payments on long-term debt	<u>43,644</u>
Change in net position of governmental activities	<u><u>\$ 444,689</u></u>

The accompanying notes are an integral part of this financial statement.

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

Imagine Schools at South Lake, (the "School") is a division of Educational Charter Foundation of Florida, Inc. (the "Charterholder"), a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The School provides educational services to students in grades K-8. The governing body of the School is the Board of Directors, which is comprised of five members. The financial information presented is that of the School only and is not intended to be a complete presentation of the Charterholder. The School's entire workforce is provided by the operating company; therefore, all employee benefits are provided by the operating company.

The general operating authority of Imagine Schools at South Lake is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Lake County, Florida (the "District") which was renewed and effective July 1, 2009. The current charter is effective until June 30, 2024. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Imagine Schools at South Lake is considered a component unit of the School Board of Lake County, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, is subdivided into three categories: Net investment in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.



**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

Indirect expenses are costs that the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. The School reports the general and capital outlay funds as major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund - is the general operating fund of the School and it is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund - is a special revenue fund used in accordance with guidelines established by the School Board of Lake County, Florida. This fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

4. Cash

Cash consists of cash on hand at the School and a checking account held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's receivables typically consist of amounts due from other schools and the management company. After reviewing the individual account balances, the School's management has determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/due from other funds.

7. Capital assets

Capital assets are reported in the governmental columns on the government-wide financial statements. The School defines capital assets as assets with an initial individual cost of more than \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair values at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

7. Capital assets (continued)

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (years)
Buildings and fixed equipment	10 - 40
Furniture, fixtures and equipment	5
Computer software	3
IT equipment	3
Vehicles	5

8. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid expenses in both government-wide and fund financial statements. Although a component of net position, a reserve for prepaids has been established for the fund financial statements as these funds do not constitute "available spendable resources."

9. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

10. Revenue sources

Revenues for current operations are received primarily from the state of Florida passed through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during the designated FTE student survey periods.

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Revenue sources (continued)

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities, interest on bank accounts, student activities and certain other programs.

11. Unearned revenue

Unearned revenues include amounts collected before the revenue recognition criteria are met under the full accrual basis of accounting. The unearned items consist of financing proceeds restricted for soccer field renovations.

12. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

13. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all its tax positions are more likely than not to be sustained upon examination.

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years ending before June 30, 2011.

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

14. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance - amounts that are in nonspendable form (such as inventory and prepaid expense) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. The School assigned \$47,699 of the FY2015 FEFP funds received to be available for return to the District in the event the current legal action is overturned.

Unassigned fund balance - amounts that are available for any purpose. No other fund except the general fund can report positive amounts of unassigned fund balance.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**NOTE B - CASH**

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The bank balance of the School's deposits was \$763,556 at June 30, 2015. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. As of June 30, 2015, \$513,556 of the School's balances held in banks were exposed to custodial credit risk.

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE C - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets depreciated:				
Buildings and fixed equipment	\$ 242,811	\$ 310,595	\$ -	\$ 553,406
Furniture, fixtures and equipment	111,387	46,535	-	157,922
Computer software	21,200	-	-	21,200
IT equipment	191,537	-	-	191,537
Vehicles	251,242	10,752	-	261,994
Total assets depreciated	<u>818,177</u>	<u>\$ 367,882</u>	<u>\$ -</u>	<u>1,186,059</u>
Less accumulated depreciation:				
Buildings and fixed equipment	33,547	\$ 26,716	\$ -	60,263
Furniture, fixtures and equipment	86,146	11,891	-	98,037
Computer software	20,283	917	-	21,200
IT equipment	180,341	6,970	-	187,311
Vehicles	248,010	946	-	248,956
Total accumulated depreciation	<u>568,327</u>	<u>\$ 47,440</u>	<u>\$ -</u>	<u>615,767</u>
Total governmental activities capital assets, net	<u>\$ 249,850</u>			<u>\$ 570,292</u>

Depreciation expense for the year ended June 30, 2015 was charged to the functions of the School as follows:

Basic instruction	\$ 17,953
Exceptional instruction	1,845
Operation of plant	26,696
Transportation	946
	<u>\$ 47,440</u>

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE D - LONG-TERM LIABILITIES**

A summary of changes in the long-term liabilities are as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2015</u>	<u>Due within one year</u>
Capital lease payable	<u>\$ 66,266</u>	<u>\$ -</u>	<u>\$ 43,644</u>	<u>\$ 22,622</u>	<u>\$ -</u>

On July 1, 2011, the School entered into a capital lease agreement with the management company for IT equipment. The lease has a term of 48 months with monthly payments of \$3,824. During the year, \$43,644 of principal and \$2,238 of interest was paid towards this note (see Note G -2).

The assets acquired through the capital lease are as follows:

Asset:	
IT equipment	\$ 191,537
Less: accumulated depreciation	<u>(187,311)</u>
Total	<u>\$ 4,226</u>

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE E - CONCENTRATIONS**

Revenue sources

As stated in Note A-10, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
School Board of Lake County, Florida	
Base funding	\$ 4,225,705
Exceptional student education guaranteed allocation	182,449
Class size reduction	1,161,426
Supplemental academic instruction	233,134
Discretionary local effort	298,655
Discretionary millage compression	104,183
Discretionary lottery	3,485
Instructional materials allocation	70,813
Library materials allocation	4,237
Student transportation	157,443
Digital classrooms allocation	14,194
Pro-ration to available funds	(37,117)
Subtotal	6,418,607
Title funding	18,376
Education jobs fund	9,109
Lead teacher	14,952
Charter school capital outlay	307,079
Total from School Board of Lake County, Florida	6,768,123
National school lunch program	126,369
Lunch revenues	107,269
Child care fees	139,936
Fundraising	55,089
Other revenues	437,759
Total revenues	\$ 7,634,545



**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE F - COMMITMENTS AND CONTINGENCIES**

1. Management service contract

The School entered into a service agreement which commenced in February 2005 and was amended in December 2005, with the management company. The contract is for management services through the duration of the School's charter, and may be cancelled or terminated pursuant to the terms and conditions as set forth in the agreement.

Under the agreement, the management company will manage and operate the School for an annual fee to cover the indirect costs, as defined in the operating agreement. This cost is allocated on an equitable per student basis among all of the management company's schools and is payable monthly.

Additionally, the School's management agreement allows for additional management fees made solely from any revenues less operating expenses greater than zero remaining at the end of the fiscal year. This fee is based on various unreimbursed advances and a percentage of surplus revenues.

Current year management fees under this agreement charged to operations totaled \$796,874.

2. Facilities

In October 2005, the School entered into an agreement to pay a facility allocation to an affiliated company of the management company for the building where the School is located. Current year facilities expense charged to operations totaled \$1,441,537, of which \$307,079 was covered by current year capital outlay funding. Effective October 1, 2010 the annual lease rent was increased to \$1,355,525, with an annual increase at July 1 of the lesser of the consumer price index or 1.50%.

The following is a schedule of future minimum lease payments for the following years ending June 30:

	<u>Facilities</u>
2016	\$ 1,463,159
2017	1,485,106
	<u>\$ 2,948,265</u>

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE F - COMMITMENTS AND CONTINGENCIES (continued)**

3. Federal grants

The School participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**NOTE G - RELATED PARTIES**

1. Due (to)/from management company

The School has entered into multiple agreements with the management company. The management company is responsible for organizing, developing, managing, staffing, and operating the School. During the current year, the management company charged fees to the School for management services and certain equipment as described in Note F. The due (to)/from management company also reflects activity for operating advances and certain expenses paid on behalf of the School.

The due (to)/from management company activity consists of the following as of and for the year ended June 30, 2015:

	Operating expenses	Management fees	Operating advances/ Contribution	Due (to)/from management company
Balance at July 1, 2014	\$ 77,394	\$ (77,394)	\$ 491,603	\$ 491,603
Invoiced	(357,239)	(796,874)	-	(1,154,113)
Payments	314,114	796,874	-	1,110,988
Balance at June 30, 2015	<u>\$ 34,269</u>	<u>\$ (77,394)</u>	<u>\$ 491,603</u>	<u>\$ 448,478</u>

2. Capital lease payable

As previously mentioned on July 1 2011, the School entered into a capital lease agreement with the management company for IT equipment. The lease has a term of 48 months with monthly payments of \$3,824. During the year, \$43,644 of principal and \$2,238 of interest was paid towards this note (see Note D).

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE G - RELATED PARTIES (continued)**

3. Operating lease

A related party owns property which is leased to the School (see Note F-2). Presently, this company is wholly owned by the School's management company. Total rent payments charged to the School for the year ended June 30, 2015 under these leases amounts to \$1,441,537.

4. Shared employees expense

The School shares employees with other schools operated by the same management company. A portion of their salaries are allocated to each School on a cost reimbursement basis. During the year, \$39,685 was charged to the School for shared expenses. At June 30, 2015, there is an outstanding receivable from related schools of \$2,059.

**NOTE H - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the School carries commercial insurance. Under the plan for property insurance, the School's liability is \$25,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2015. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

**NOTE I - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 3, 2015 the date on which the financial statements were available for issuance and has determined that no material events occurred that would require additional disclosure in the financial statements.

Subsequent to June 30, 2015, the School was notified that the ruling in the case of Educational Charter Foundation of Florida, Inc., d/b/a Imagine Schools at South Lake, a Florida non-profit corporation vs. The Florida Department of Education, a political subdivision of the State of Florida, is being reviewed and a final determination will be issued in the FY2016 school year. For purposes of these financial statements, the school is considered high performing.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Imagine Schools at South Lake**  
**(A division of Educational Charter Foundation of Florida, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

For the year ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenue				
State and local revenue	\$ 6,360,704	\$ 6,461,044	\$ 6,461,044	\$ -
Supplemental fee revenue	232,600	632,784	642,272	9,488
Total revenues	6,593,304	7,093,828	7,103,316	9,488
Expenditures				
Not-for-profit expenditures				
Facility fee	1,006,080	1,134,457	1,134,457	-
Net school operating revenue	5,587,224	5,959,371	5,968,859	9,488
Expenses				
Salaries and benefits	3,621,897	3,547,946	3,525,934	22,012
Other school services	266,850	315,318	312,268	3,050
Direct educational expenditures	155,113	197,847	200,520	(2,673)
General and administrative	382,058	347,359	342,049	5,310
Facility operating expenditures	259,260	289,886	289,886	-
School operating expenditures	4,685,178	4,698,356	4,670,657	27,699
Equipment use fee	2,209	3,151	2,238	913
Management fees and development allocation	813,788	796,874	824,374	(27,500)
Total expenses	5,501,175	5,498,381	5,497,269	1,112
Change in net position (budgetary basis)	\$ 86,049	\$ 460,990	471,590	\$ 10,600
Adjustments to conform with GAAP:				
Principal payment on capital lease			(43,644)	
Capital outlay expenditures			(367,882)	
Net change in fund balance			60,064	
Fund balance at July 1, 2014			475,001	
Fund balance at June 30, 2015			\$ 535,065	

See accompanying note to required supplementary information.

Imagine Schools at South Lake  
(A division of Educational Charter Foundation of Florida, Inc.)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL OUTLAY FUND**

For the year ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
State and local revenue	\$ 435,456	\$ 307,079	\$ 307,079	\$ -
Expenditures				
Facility fee	435,456	307,079	307,079	-
Excess of revenues over expenditures	(435,456)	(307,079)	-	-
Net changes in fund balances	-	-	-	-
Fund balance at July 1, 2014	-	-	-	-
Fund balance at June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to required supplementary information.

**Imagine Schools at South Lake  
(A division of Educational Charter Foundation of Florida, Inc.)**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2015**

**NOTE A - BUDGETARY INFORMATION**

The School's annual budgets are adopted on a basis consistent with U.S. accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors (the "Board"). A reconciliation to the excess of revenues over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information. The budgets presented for fiscal year ended June 30, 2015, have been amended according to Board procedures.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major special revenue fund for which a legally adopted budget exists.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

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

To the Board of Directors  
Educational Charter Foundation of Florida, Inc.  
Clermont, Florida

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 Imagine Schools at South Lake (the "School"), a division of Educational Charter Foundation of Florida, Inc. (the "Charterholder"), and a component unit of the School Board of Lake County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 3, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

September 3, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## MANAGEMENT LETTER

To the Board of Directors  
Educational Charter Foundation of Florida, Inc.  
Clermont, Florida

### Report on the Financial Statements

We have audited the financial statements of Imagine Schools at South Lake (the "School"), a division of Educational Charter Foundation of Florida, Inc. (the "Charterholder"), as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated September 3, 2015.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, rules of the Auditor General.

### Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report and schedule, which is dated September 3, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, we did not have any such prior findings.

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name of official title of the entity. The official title of the entity is Imagine Schools at South Lake (the "School"), a division of the Educational Charter Foundation of Florida, Inc., LLC.

## **Financial Condition**

Sections 10.854(1)(e)2. Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **Other Matters**

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Auditor General, Federal and granting agencies, the Board of Directors, applicable management and the School Board of Lake County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

September 3, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

**Imagine Schools at South Lake  
(A division of Educational Charter Foundation of Florida, Inc.)**

**MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES**

**June 30, 2015**

**Current and Prior Year Findings and Recommendations**

For the years ended June 30, 2015 and June 30, 2014 there were no audit findings or recommendations.