

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

**Basic Financial Statements and  
Supplementary Information**

**For the year ended  
June 30, 2017**

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	26
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Outlay Fund	27
Note to Required Supplementary Information	28
COMPLIANCE INFORMATION	
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 <i>Government Auditing Standards</i>	30
Management Letter	32
Summary Schedule of Prior Year Audit Findings	34

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Educational Charter Foundation of Florida, Inc., LLC  
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 (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed on 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.

### ***Opinion***

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, 2017, 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.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2017, and the results of its operation for the year then ended, and is not intended to be a complete presentation of the District.

### ***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 21, 2017 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 21, 2017  
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., LLC, (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, 2017 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) highlights 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, as listed on the table of contents.

### **Financial Highlights**

- The School's assets exceeded its liabilities at June 30, 2017 by \$1,220,263 (net position).
- The School's total net position increased by \$107,823.
- At June 30, 2017, the School's balance sheet reported an ending general fund balance of \$593,373.
- At June 30, 2017, the School's general fund balance increased by \$134,564.

### **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, liabilities, and deferred outflows/inflows of resources with the difference 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 listed on the table of contents 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 four 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 listed on the table of contents 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 listed on the table of contents 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 listed on the table of contents 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 \$1,220,263 and \$1,112,440, for the years ended June 30, 2017 and 2016, 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		
	2017	2016	Variance
<b>ASSETS</b>			
Current assets	\$ 926,731	\$ 752,671	\$ 174,060
Capital assets, net of accumulated depreciation	535,485	550,938	(15,453)
Total assets	1,462,216	1,303,609	158,607
<b>LIABILITIES</b>			
Current liabilities	241,953	191,169	50,784
Total liabilities	241,953	191,169	50,784
<b>NET POSITION</b>			
Net investment in capital assets	535,485	550,938	(15,453)
Restricted	91,405	102,693	(11,288)
Unrestricted	593,373	458,809	134,564
Total net position	<u>\$ 1,220,263</u>	<u>\$ 1,112,440</u>	<u>\$ 107,823</u>

Current assets increased primarily as a result of the positive change in cash. Capital assets, net of accumulated depreciation, decreased due to depreciation expense for the year offset by additions. Current liabilities increased due to an increase in accrued payroll and related benefits.

**Governmental Activities.** Governmental activities increased the School's net position by \$107,823 at June 30, 2017 and decreased by \$50,485 at June 30, 2016.

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

### Statement of Activities

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Variance</b>
Revenues:			
Program revenues:			
Charges for services	\$ 380,831	\$ 320,993	\$ 59,838
Operating grants and contributions	649,491	435,104	214,387
General revenues			
State passed through school district	6,779,162	6,653,246	125,916
Other revenues	219,985	262,963	(42,978)
Total revenues	<u>8,029,469</u>	<u>7,672,306</u>	<u>357,163</u>
Expenses:			
Basic instruction	3,377,333	3,266,078	111,255
Exceptional instruction	196,797	204,694	(7,897)
Health services	41,827	44,314	(2,487)
Media services	1,086	-	1,086
Staff development	5,413	30,144	(24,731)
Board of directors	17,900	13,950	3,950
School administration	1,659,733	1,670,459	(10,726)
Food services	290,976	227,767	63,209
Central services	3,701	846	2,855
Transportation	183,454	169,937	13,517
Operation of plant	1,969,420	1,931,928	37,492
Maintenance of plant	67,892	72,413	(4,521)
Community services	106,114	90,261	15,853
Total expenses	<u>7,921,646</u>	<u>7,722,791</u>	<u>198,855</u>
Change in net position	107,823	(50,485)	158,308
Net position - beginning	<u>1,112,440</u>	<u>1,162,925</u>	<u>(50,485)</u>
Net position - ending	<u>\$ 1,220,263</u>	<u>\$ 1,112,440</u>	<u>\$ 107,823</u>

Charges for services increased due to an increase in child care services. Operating grants and contributions increased due to more capital outlay and IDEA funding. General revenues increased due to higher state passed through local school district funds in relationship to enrollment for the current year and other revenues decreased due to deferred revenues and non-recurring local revenues. The increase in basic instruction is due to an increase in teacher salary in relationship to student enrollment. Food services increased due to expanding program services. Operation of plant increased due to salaries for additional custodial staff.



## **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 \$510,084. During the current fiscal year, the School's fund balance of the general fund increased by \$134,564.

### **General Fund Budgetary Highlights**

The Board of Directors approved a budget for the general fund for fiscal year 2017. According to the approved budget, the general fund's actual revenues and expenditures were equal to budgeted.

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

**Capital Assets.** The School's net investment in capital assets, as of June 30, 2017, amounts to \$535,485. 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.** At June 30, 2017, the School had no long term debt.

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to be 1,036 for the 2017/2018 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, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 386,997
Due from management company	474,904
Due from other agency	29,240
Prepaid expenses	<u>35,590</u>
Total current assets	<u>926,731</u>
<b>CAPITAL ASSETS</b>	
Capital assets, net of accumulated depreciation	
Buildings and fixed equipment	473,014
Furniture, fixtures, and equipment	45,854
IT equipment	9,771
Vehicles	<u>6,846</u>
Total capital assets	<u>535,485</u>
Total assets	<u>1,462,216</u>
<b>LIABILITIES</b>	
Accounts payable	18,050
Accrued payroll and related benefits	214,733
Unearned revenue	<u>9,170</u>
Total liabilities	<u>241,953</u>
<b>NET POSITION</b>	
Net investment in capital assets	535,485
Restricted lunch program	91,405
Unrestricted	<u>593,373</u>
Total net position	<u><u>\$ 1,220,263</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.)**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2017**

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	\$ 3,377,333	\$ -	\$ 173,214	\$ -	\$ (3,204,119)
Exceptional instruction	196,797	-	63,976	-	(132,821)
Health services	41,827	-	-	-	(41,827)
Media services	1,086	-	-	-	(1,086)
Staff development	5,413	-	-	-	(5,413)
Board of directors	17,900	-	-	-	(17,900)
School administration	1,659,733	-	-	-	(1,659,733)
Food services	290,976	158,828	120,860	-	(11,288)
Central services	3,701	-	-	-	(3,701)
Transportation	183,454	-	-	-	(183,454)
Operation of plant	1,969,420	41,561	291,441	-	(1,636,418)
Maintenance of plant	67,892	-	-	-	(67,892)
Community services	106,114	180,442	-	-	74,328
Total governmental activities	<u>\$ 7,921,646</u>	<u>\$ 380,831</u>	<u>\$ 649,491</u>	<u>\$ -</u>	<u>(6,891,324)</u>
General revenues:					
State passed through school district					6,779,162
Other revenues					<u>219,985</u>
Total general revenues					<u>6,999,147</u>
Change in net position					107,823
Net position at July 1, 2016					<u>1,112,440</u>
Net position at June 30, 2017					<u>\$ 1,220,263</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.)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2017**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 386,997	\$ -	\$ -	\$ 386,997
Due from management company	474,904	-	-	474,904
Due from other funds	-	-	91,405	91,405
Due from other agency	29,240	-	-	29,240
Prepaid expenses	35,590	-	-	35,590
Total assets	<u>\$ 926,731</u>	<u>\$ -</u>	<u>\$ 91,405</u>	<u>\$ 1,018,136</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 18,050	\$ -	\$ -	\$ 18,050
Accrued payroll and related benefits	214,733	-	-	214,733
Unearned revenue	9,170	-	-	9,170
Due to other funds	91,405	-	-	91,405
Total liabilities	<u>333,358</u>	<u>-</u>	<u>-</u>	<u>333,358</u>
<b>FUND BALANCES</b>				
Nonspendable prepaid expenses	35,590	-	-	35,590
Restricted for lunch program	-	-	91,405	91,405
Assigned	47,699	-	-	47,699
Unassigned	510,084	-	-	510,084
Total fund balances	<u>593,373</u>	<u>-</u>	<u>91,405</u>	<u>684,778</u>
Total liabilities and fund balances	<u>\$ 926,731</u>	<u>\$ -</u>	<u>\$ 91,405</u>	<u>\$ 1,018,136</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, 2017**

Fund balances - total governmental funds	\$ 684,778
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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	\$ 473,014	
Furniture, fixtures and equipment, net	45,854	
IT equipment, net	9,771	
Vehicles, net	<u>6,846</u>	
Total capital assets		<u>535,485</u>
 Total net position of governmental activities		 <u><u>\$ 1,220,263</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.)**

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

**For the year ended June 30, 2017**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state	\$ -	\$ -	\$ 120,860	\$ 120,860
Federal passed through school district	-	-	63,976	63,976
State passed through school district	6,952,376	291,441	-	7,243,817
Other revenues	441,988	-	158,828	600,816
<b>Total revenues</b>	<b>7,394,364</b>	<b>291,441</b>	<b>343,664</b>	<b>8,029,469</b>
<b>Expenditures</b>				
Current:				
Basic instruction	3,363,404	-	2,178	3,365,582
Exceptional instruction	134,999	-	61,798	196,797
Health services	41,827	-	-	41,827
Media services	1,086	-	-	1,086
Staff development	5,413	-	-	5,413
Board of directors	17,900	-	-	17,900
School administration	1,659,733	-	-	1,659,733
Food services	-	-	290,976	290,976
Central services	3,701	-	-	3,701
Transportation	180,358	-	-	180,358
Operation of plant	1,628,103	291,441	-	1,919,544
Maintenance of plant	67,892	-	-	67,892
Community services	106,114	-	-	106,114
Capital outlay	49,270	-	-	49,270
<b>Total expenditures</b>	<b>7,259,800</b>	<b>291,441</b>	<b>354,952</b>	<b>7,906,193</b>
Net change in fund balances	134,564	-	(11,288)	123,276
Fund balances at July 1, 2016	458,809	-	102,693	561,502
Fund balances at June 30, 2017	<u>\$ 593,373</u>	<u>\$ -</u>	<u>\$ 91,405</u>	<u>\$ 684,778</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, 2017**

Net change in fund balances - total government funds	\$ 123,276
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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 capital outlay	\$ 49,270	
Depreciation	<u>(64,723)</u>	
		(15,453)

Change in net position of governmental activities	<u>\$ 107,823</u>
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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., LLC)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**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., LLC, (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 management company; therefore, all employee benefits are provided by the management 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, liabilities, and deferred outflows/inflows of resources, 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., LLC)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**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., LLC)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**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 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, based on prior experience, that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided based on prior experience.

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., LLC)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**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:

<u>Asset Class</u>	<u>Estimated Useful Lives (years)</u>
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, 2017, 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., LLC)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**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 of 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 three years after a return was due or filed.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**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 funds received to be available for return to the District in the event the School will not maintain its high performing status.

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 \$505,088 at June 30, 2017. 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, 2017, none 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., LLC)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE C - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets depreciated:				
Buildings and fixed equipment	\$ 591,178	\$ 32,127	\$ -	\$ 623,305
Furniture, fixtures and equipment	166,724	9,330	-	176,054
Computer software	21,200	-	-	21,200
IT equipment	194,493	7,813	-	202,306
Vehicles	261,994	-	-	261,994
Total assets depreciated	<u>1,235,589</u>	<u>49,270</u>	<u>-</u>	<u>1,284,859</u>
Less accumulated depreciation:				
Buildings and fixed equipment	105,009	45,282	-	150,291
Furniture, fixtures and equipment	116,403	13,797	-	130,200
Computer software	21,200	-	-	21,200
IT equipment	189,987	2,548	-	192,535
Vehicles	252,052	3,096	-	255,148
Total accumulated depreciation	<u>684,651</u>	<u>64,723</u>	<u>-</u>	<u>749,374</u>
Total governmental activities capital assets, net	<u>\$ 550,938</u>	<u>\$ (15,453)</u>	<u>\$ -</u>	<u>\$ 535,485</u>

Depreciation expense for the year ended June 30, 2017 was charged to the functions of the School as follows:

Basic instruction	\$ 11,751
Operation of plant	49,876
Transportation	<u>3,096</u>
	<u>\$ 64,723</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE D - 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	\$ 4,408,944
Other FEFP	
Exceptional student education guaranteed allocation	111,246
Class size reduction	1,174,778
Supplemental academic instruction	239,511
Discretionary local effort	333,217
Discretionary millage compression	129,109
Discretionary lottery	16,595
Instructional materials allocation	71,696
Reading allocation	45,049
Library materials allocation	4,318
Science	1,180
Student transportation	194,274
Digital classrooms allocation	28,598
Safe schools	20,647
Subtotal	6,779,162
IDEA funds	63,976
Title II funding	51,404
Education jobs fund	102,233
Lead teacher	14,250
Charter school capital outlay	291,441
Total from School Board of Lake County, Florida	7,302,466
National school lunch program	120,860
Lunch revenues	158,828
Child care fees	180,442
Fundraising	62,374
Other revenues	204,499
Total revenues	<u>\$ 8,029,469</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE E - 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 management agreement. The Indirect Cost Allocation shall be equal to twelve percent 12% of revenues. 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 \$878,475.

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 \$1,496,682, of which \$291,441 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%. Unless sooner terminated pursuant to any provision hereof, the term of this lease shall continue so long as the operating agreement between lessee and Imagine Schools, Inc. remains in effect, inclusive of any renewal of the operating agreement.

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, 2017 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.



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE F - 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 E. 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, 2017:

	Operating expenses	Management fees	Operating advances/ Contribution	Due (to)/from management company
Balance at July 1, 2016	\$ 38,380	\$ (76,631)	\$ 491,603	\$ 453,352
Invoiced	(471,490)	(878,475)	-	(1,349,965)
Payments	423,177	948,340	-	1,371,517
Balance at June 30, 2017	<u>\$ (9,933)</u>	<u>\$ (6,766)</u>	<u>\$ 491,603</u>	<u>\$ 474,904</u>

2. Operating lease

A related party leases the facility to the School (see Note E-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, 2017 under these leases amounts to \$1,496,682.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE G - 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 2017. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

**NOTE H - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 21, 2017 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.

## **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, 2017**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
State and local revenue	\$ 6,772,917	\$ 6,952,376	\$ 6,952,376	\$ -
Supplemental fee revenue	399,025	441,988	441,988	-
Total revenues	7,171,942	7,394,364	7,394,364	-
Expenditures				
Not-for-profit expenditures				
Facility fee	1,341,106	1,205,241	1,205,241	-
Net school operating revenue	5,830,836	6,189,123	6,189,123	-
Expenses				
Salaries and benefits	3,955,385	4,035,614	4,035,614	-
Other school services	247,610	363,338	363,338	-
Direct educational expenditures	120,716	165,744	165,744	-
General and administrative	361,343	304,790	304,790	-
Facility operating expenditures	244,664	257,328	257,328	-
School operating expenditures	4,929,718	5,126,814	5,126,814	-
Management fees and development allocation	854,348	878,475	878,475	-
Total expenses	5,784,066	6,005,289	6,005,289	-
Change in net position (budgetary basis)	<u>\$ 46,770</u>	<u>\$ 183,834</u>	183,834	<u>\$ -</u>
Adjustments to conform with GAAP:				
Capital outlay expenditures			(49,270)	
Net change in fund balance			134,564	
Fund balance at July 1, 2016			458,809	
Fund balance at June 30, 2017			<u>\$ 593,373</u>	

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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
State and local revenue	\$ 144,000	\$ 291,441	\$ 291,441	\$ -
Expenditures				
Not-for-profit expenditures				
Facility fee	144,000	291,441	291,441	-
Net changes in fund balances	-	-	-	-
Fund balance at July 1, 2016	-	-	-	-
Fund balance at June 30, 2017	<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., LLC)**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2017**

**NOTE A - BUDGETARY INFORMATION**

The School's annual budgets are adopted on a basis consistent with 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, 2017, 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.

## **COMPLIANCE INFORMATION**

**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., LLC  
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., LLC, (the "Charterholder"), and a component unit of the School Board of Lake County, Florida, as of and for the year ended June 30, 2017, 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 21, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 21, 2017  
Melbourne, Florida

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

## MANAGEMENT LETTER

To the Board of Directors  
Educational Charter Foundation of Florida, Inc., LLC  
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., LLC, (the "Charterholder"), as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated September 21, 2017.

### 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 21, 2017, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

### 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 website 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 Items**

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 items.

## **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 other 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 21, 2017  
Melbourne, Florida

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

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

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**June 30, 2017**

**2016-001 Budget over expenditure**

Noncompliance

Condition: During the current year, actual expenditures exceeded the final approved budget of the general fund by approximately \$78,000.

Auditors' recommendation: We recommend that the School evaluate year end accruals prior to the final budget approval.

Current Status: Cleared.