

**IMAGINE
SCHOOL AT BROWARD
(A division of Imagine at
Broward, 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
Imagine at Broward, Inc.
Coral Springs, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Imagine School at Broward (the "School"), a component unit of the School Board of Broward County, Florida and a division of Imagine at Broward, Inc. (the "Charterholder"), 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 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.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2015, and the results of its operation for the year then ended, and is not intended to be a complete presentation of the Charterholder.

Emphasis of Matters

As described in Note A-12 to the financial statements, in 2015, the school implemented GASB No. 69, *Government Combinations and Disposals of Government Operations* for the merger of Imagine Charter School at Broward (elementary School) and Imagine Middle School at Broward.

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 17, 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 17, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Imagine School at Broward (the "School"), a division of Imagine at Broward, Inc. and a component unit of the School Board of Broward 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.

Because 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 starting on page 8.

The Imagine Charter School at Broward (elementary) and Imagine Middle School at Broward merged on July 1, 2014 as one entity (See Note A-12). The following 2014 comparative financial information is the result of the combination of the two School's 2014 financial statements, adjusted for elimination of related inter-school balances.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the current fiscal year by \$1,030,463 (net position).
- The net position of the School increased by \$84,570 during the year.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$803,245.
- At the end of the current fiscal year, the unassigned fund balance of the general fund was \$798,180.

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 (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Instruction and school administration 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 Broward County, Florida. The School Board of Broward 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 several governmental 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 capital outlay fund are considered to be major funds.

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

The School adopts annual appropriated budgets for its entire operations. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets and can be found on pages 26 through 28 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 \$1,030,463 and \$875,893 (net position), respectively, for the years ended June 30, 2015 and 2014.

The largest portion of the School's net position reflects its net investment in capital assets (e.g., audio visual materials, computer software, information technology equipment, building and fixed equipment, leasehold improvements, and furniture, fixtures, and equipment). The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of the School's net position as of June 30, 2015, follows:

**Imagine School at Broward
Statement of Net Position**

	Governmental Activities		
	2015	2014 *	Variance
ASSETS			
Current assets	\$ 1,269,686	\$ 1,275,168	\$ (5,482)
Capital assets, net of accumulated depreciation	227,218	254,285	(27,067)
Total assets	<u>1,496,904</u>	<u>1,529,453</u>	<u>(32,549)</u>
LIABILITIES			
Current liabilities	466,441	653,560	(187,119)
Total liabilities	<u>466,441</u>	<u>653,560</u>	<u>(187,119)</u>
NET POSITION			
Net investment in capital assets	227,218	254,285	(27,067)
Unrestricted	803,245	621,608	181,637
Total net position	<u><u>\$ 1,030,463</u></u>	<u><u>\$ 875,893</u></u>	<u><u>\$ 154,570</u></u>

**The 2014 statement of net position and statement of activities were the result of combining amounts from the middle and elementary school's 2014 financial statements for a more reasonable analysis between the 2015 and 2014 years.*

Capital assets, net of accumulated depreciation, decreased due to current year depreciation expense. Total current liabilities decreased as a result of a decrease in accrued payroll and related expenses.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2015, follows:

**Imagine School at Broward
Statement of Activities**

	Governmental Activities		
	2015	2014*	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 727,197	\$ 670,876	\$ 56,321
Operating grants and contributions	430,982	569,975	(138,993)
Federal passed through state	-	40,107	(40,107)
General revenues:			
State passed through local school district	5,656,401	5,427,152	229,249
Other revenues	200,838	216,242	(15,404)
Total revenues	<u>7,015,418</u>	<u>6,924,352</u>	<u>91,066</u>
Expenses:			
Instruction	3,002,041	2,981,935	20,106
Guidance services	39,880	46,975	(7,095)
Media services	2,634	46,409	(43,775)
Curriculum development	94,096	73,845	20,251
Staff development	-	350	(350)
Board of directors	27,140	20,416	6,724
School administration	1,236,026	1,149,478	86,548
Food service	353,821	363,198	(9,377)
Central services	750	486	264
Operation of plant	1,819,145	1,831,052	(11,907)
Maintenance of plant	109,017	124,194	(15,177)
Community service	246,298	207,111	39,187
Total expenses	<u>6,930,848</u>	<u>6,845,449</u>	<u>85,399</u>
Change in net position	84,570	78,903	5,667
Beginning net position due to the implementation of - GASB No 69 (Note A-12)	875,893	796,990	78,903
Prior period adjustment (Note H)	70,000	-	-
Restated net position at July 1, 2014	<u>945,893</u>	<u>796,990</u>	<u>148,903</u>
Net position - ending	<u>\$ 1,030,463</u>	<u>\$ 875,893</u>	<u>\$ 154,570</u>

**The 2014 statement of net position and statement of activities were the result of combining amounts from the middle and elementary school's 2014 financial statements for a more reasonable analysis between the 2015 and 2014 years.*

The increase in charges for services is a result from the school lunch program. The decrease in operating grants and contributions is due to the decrease in capital outlay funding. The increases in state passed through local school district and other revenues resulted from an increase in student enrollment. The increases in instruction, school administration, curriculum development, and community service also resulted from an increase in student enrollment.

Governmental activities. Governmental activities increased the School's net position by \$84,570 for the year ended June 30, 2015. The increase in net position is primarily related to increases in revenues.

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 chief operating fund of the School. At the end of the current fiscal year, the total fund balance of the general fund was \$803,245. This included the nonspendable balance for prepaid expenses and the deposit which were \$900 and \$4,165, respectively.

The fund balance of the School's general fund increased by \$111,637 during the current fiscal year.

General Fund Budgetary Highlights

The actual revenues and expenditures were lower than budgeted by \$2,265 and \$61,404, respectively.

The budgetary information can be found on page 26 of this report.

Capital Asset Administration

Capital assets. The School's net investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$227,218 (net of accumulated depreciation). This net investment in capital assets includes audio visual materials, computer software, information technology equipment, building and fixed equipment, leasehold improvements, and furniture, fixtures, and equipment. Additional information on the School's capital assets can be found in Note C of this report.

Economic Factors. A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to increase by approximately 15 students to 889 total for the 2015-2016 school year.

Request for Information

This financial report is designed to provide a general overview of School's finances for all those with an interest. Questions concerning any of the information provided in this report or requests or additional financial information should be addressed to the Principal's office at 9001 Westview Drive, Coral Springs, Florida 33067.

Imagine School at Broward
(A division of Imagine at Broward, Inc.)

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
ASSETS	
Cash	\$ 1,175,662
Due from other agencies	5,746
Due from operating company	83,213
Prepaid expenses	900
Deposit	<u>4,165</u>
Total current assets	<u>1,269,686</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Audio visual materials	6,770
Computer software	1,027
Information technology equipment	127,160
Building and fixed equipment	5,517
Leasehold improvements	47,281
Furniture, fixtures and equipment	<u>39,463</u>
Total capital assets	<u>227,218</u>
Total assets	<u>1,496,904</u>
LIABILITIES	
Accounts payable	23,822
Accrued payroll and other expenses	430,067
Unearned revenue	<u>12,552</u>
Total liabilities	<u>466,441</u>
NET POSITION	
Net investment in capital assets	227,218
Unrestricted	<u>803,245</u>
Total net position	<u><u>\$ 1,030,463</u></u>

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

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,175,662	\$ -	\$ -	\$ 1,175,662
Due from other agencies	5,746	-	-	5,746
Accounts receivable	-	-	-	-
Prepaid expenses	900	-	-	900
Due from operating company	83,213	-	-	83,213
Deposit	4,165	-	-	4,165
Total assets	<u>\$ 1,269,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,269,686</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 23,822	\$ -	\$ -	\$ 23,822
Accrued payroll and other expenses	430,067	-	-	430,067
Unearned revenue	12,552	-	-	12,552
Total liabilities	<u>466,441</u>	<u>-</u>	<u>-</u>	<u>466,441</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenses	900	-	-	900
Deposit	4,165	-	-	4,165
Unassigned	798,180	-	-	798,180
Total fund balances	<u>803,245</u>	<u>-</u>	<u>-</u>	<u>803,245</u>
Total liabilities and fund balances	<u>\$ 1,269,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,269,686</u>

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

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

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

June 30, 2015

Fund balances - total governmental funds \$ 803,245

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:

Audio visual materials, net	\$ 6,770	
Computer software, net	1,027	
Information technology equipment, net	127,160	
Building and fixed equipment, net	5,517	
Leasehold improvements, net	47,281	
Furniture, fixtures and equipment, net	<u>39,463</u>	
Total capital assets		<u>227,218</u>
Total net position of governmental activities		<u>\$ 1,030,463</u>

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

Imagine School at Broward
(A division of Imagine at Broward, 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
Revenues				
Federal passed through state	\$ -	\$ -	\$ 170,325	\$ 170,325
State passed through local school district	5,656,401	260,657	-	5,917,058
Other local revenues	762,246	-	-	762,246
Lunch program	-	-	165,789	165,789
Total revenues	<u>6,418,647</u>	<u>260,657</u>	<u>336,114</u>	<u>7,015,418</u>
Expenditures				
Current:				
Instruction	2,959,635	-	-	2,959,635
Guidance services	39,880	-	-	39,880
Media services	2,634	-	-	2,634
Curriculum development	94,096	-	-	94,096
Board of directors	27,140	-	-	27,140
School administration	1,223,896	-	-	1,223,896
Food service	42,273	-	309,924	352,197
Central services	750	-	-	750
Operation of plant	1,546,175	260,657	-	1,806,832
Maintenance of plant	109,017	-	-	109,017
Community service	246,298	-	-	246,298
Fixed capital outlay	41,406	-	-	41,406
Total expenditures	<u>6,333,200</u>	<u>260,657</u>	<u>309,924</u>	<u>6,903,781</u>
Excess (deficiency) of revenues over (under) expenditures	85,447	-	26,190	111,637
Other financing sources and (uses)				
Transfers in	26,190	-	-	26,190
Transfers out	-	-	(26,190)	(26,190)
Total other financing sources and (uses)	<u>26,190</u>	<u>-</u>	<u>(26,190)</u>	<u>-</u>
Net change in fund balances	111,637	-	-	111,637
Beginning net position due to the implementation of - GASB No. 69 (Note A-12)	621,608	-	-	621,608
Prior period adjustment (Note H)	70,000	-	-	70,000
Restated fund balances at July 1, 2014	<u>691,608</u>	<u>-</u>	<u>-</u>	<u>691,608</u>
Fund balances at June 30, 2015	<u>\$ 803,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 803,245</u>

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

**Imagine School at Broward
(A division of Imagine at Broward, 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 governmental funds	\$	111,637
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report fixed capital outlays 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	\$	41,406	
Less: depreciation		<u>(68,473)</u>	<u>(27,067)</u>
Change in net position of governmental activities			<u>\$</u> 84,570

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

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Imagine School at Broward (the "School"), is a division of Imagine at Broward, Inc. (the "Charterholder"), which is a Florida not-for-profit corporation whose sole member is Imagine School Non-Profit, Inc., a Virginia not-for-profit corporation. The School currently provides education services to students in kindergarten through eighth grade. The governing body of the School is the Board of Directors (the "Board"), which is composed of five members. The financial information presented is that of Imagine School at Broward. The School's entire workforce is provided by the operating company; therefore, all benefits are provided by the operating company.

The general operating authority of the School 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 Broward County, Florida (the "District"). During the current fiscal year, the charter agreement was extended until June 30, 2029, and may be renewed in increments of five years by mutual written agreement between the School and the District. 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 School at Broward is considered a component unit of the School Board of Broward 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 non-fiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only the 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 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. Indirect expenses are costs the School has allocated to various functions.

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 fund and capital outlay fund as its 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 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 is 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 School at Broward
(A division of Imagine at Broward, 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. It is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund - in accordance with guidelines established by the District this fund accounts for all resources used for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

4. Cash

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

5. 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. There were no due to/due from other fund amounts for period ending June 30, 2015.

6. Prepaid expense

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 prepaid expenses has been established for the fund financial statements as these funds do not constitute "available spendable resources".

7. Capital assets

Capital assets are reported in the governmental columns on the government-wide financial statements. Capital assets are defined by the School 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 asset lives is not capitalized.

**Imagine School at Broward
(A division of Imagine at Broward, 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Computer software	3 - 7
Information technology equipment	5 - 7
Audio visual materials	7
Furniture, fixtures and equipment	7-10
Buildings & fixed equipment	7-40
Leasehold improvements	7-40

8. 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 the actual weighted FTE students reported by the School during the designated FTE student survey periods.

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 federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying 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 and certain other programs.

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. 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.

10. 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.

11. 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 not spendable (such as inventory and prepaid expenses) 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.

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fund balance classification (continued)

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.

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.

12. Merger

The Imagine Charter School at Broward (elementary school) and Imagine Middle School at Broward merged on July 1, 2014 as one entity. A *government merger* is a government combination of legally separate entities in which no significant consideration is exchanged and one or more legally separate governments or nongovernment entities cease to exist and their operations are absorbed into, and provided by, one or more continuing governments.

Florida Statute 1002.33(2)(d) allows for high performance charter schools to merge. The merger allows for the School to expand service to the community for K-8 as one School.

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Merger (continued)

A summary of the School's net position as of July 1, 2015 follows:

Imagine School at Broward Statement of Net Position				
	Elementary	Middle	Due from / to eliminations	Combined
ASSETS				
Current assets	\$ 1,020,349	\$ 307,730	\$ 52,911	\$ 1,275,168
Capital assets, net of accumulated depreciation	148,437	105,848	-	\$ 254,285
Total assets	1,168,786	413,578	52,911	1,529,453
LIABILITIES				
Current liabilities	558,872	147,599	52,911	653,560
Total liabilities	558,872	147,599	52,911	653,560
NET POSITION				
Net investment in capital assets	148,437	105,848	-	254,285
Unrestricted	461,477	160,131	-	621,608
Total net position	\$ 609,914	\$ 265,979	\$ -	\$ 875,893

The capital assets on the merger date were not impaired and no adjustment was needed. All capital assets were recorded at their carrying value.

NOTE B - CREDIT RISK

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 School does not have a formal policy regarding custodial credit risk. The bank balance of the School's deposits was \$1,176,025 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, none of the School's balances held in banks was exposed to custodial credit risk.

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C - CAPITAL ASSETS

Changes in capital assets are as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets depreciated:				
Audio visual materials	\$ 20,930	\$ -	\$ -	\$ 20,930
Computer software	2,910	4,775	-	7,685
Information technology equipment	318,293	-	4,775	313,518
Buildings & fixed equipment	10,902	-	-	10,902
Leasehold Improvements	36,875	29,664	-	66,539
Furniture, fixtures and equipment	84,624	11,742	-	96,366
	<u>\$ 474,534</u>	<u>\$ 46,181</u>	<u>\$ 4,775</u>	<u>\$ 515,940</u>
Less accumulated depreciation:				
Audio visual materials	\$ 11,170	\$ 2,990	\$ -	\$ 14,160
Computer software	2,771	3,887	-	6,658
Information technology equipment	146,011	43,085	2,738	186,358
Buildings & fixed equipment	3,828	1,557	-	5,385
Leasehold Improvements	11,707	7,551	-	19,258
Furnitures, fixtures and equipment	44,762	12,141	-	56,903
	<u>220,249</u>	<u>\$ 71,211</u>	<u>\$ 2,738</u>	<u>288,722</u>
Total governmental activities capital assets, net	<u>\$ 254,285</u>			<u>\$ 227,218</u>

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

Operation of plant	\$ 12,313
School administration	12,130
Food services	1,624
Instruction	42,406
	<u>\$ 68,473</u>

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D - CONCENTRATIONS

Revenue sources

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources:

Sources	Amounts
School Board of Broward County:	
Base student allocation	\$ 3,781,997
Class size reduction	1,039,719
Discretionary local effort	352,999
ESE guaranteed allocation	177,526
Supplemental academic instruction	153,760
Return of district administrative fee	79,268
Instructional materials	62,204
Safe schools	19,958
Digital classrooms allocations	7,737
Reading allocation	6,410
Library media	3,723
Discretionary lottery	3,133
Science lab materials and supplies	1,017
Final change in CSR allocation	505
Administrative fee	(111,586)
Proration to funds available	(31,871)
Subtotal	5,546,499
Capital outlay	260,657
Teachers classroom supply assistance program	13,618
School recognition	85,791
Teachers salary allocation	10,493
Total revenue through School Board of Broward County	5,917,058
National school lunch program	170,325
Lunch program	165,789
School aged child care	290,988
Local revenue Pre-K	195,881
Supplemental programs fees	74,539
Fundraising	63,460
Other local revenue	137,378
Total revenues	\$ 7,015,418

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Operating agreement

The School entered into an agreement with the operating company on May 9, 2008. This agreement calls for indirect cost allocation equal to 12% of the per-pupil funding provided by state and local governments and an administrative fee of \$2,500 per month for the first 240 months of the School's operations. The total indirect cost allocation and administrative fees charged to operations for the year ended June 30, 2015 were \$698,117 and \$30,000, respectively. The operating agreement further specifies that the School may request advances to pay for operating expenses of the School referred to as "Operating Capital Advances." The operating company shall be reimbursed for such advances on the first day in which the funds reside in the School's operating account for which not otherwise reserved by the operating budget. If, at the end of a fiscal year, the School's fund balance is not sufficiently positive in order to reimburse all operating advances provided during the year and report a positive ending fund balance, the amount of outstanding operating advances that will enable the School's fund balance to report a net surplus as of the end of the fiscal year shall be forgiven by the operating company.

In consideration of the operating company's commitment to make operating advances, the School entered into an agreement to pay the operating company a "fund balance assistance fee" in any year in which no operating advances were required to be forgiven and the fund balance after reimbursement of operating advances, if any, remains sufficient to report a positive ending fund balance. The fund balance assistance fee shall be the lesser of the amount which, when recorded for such year would cause the ending fund balance to equal at least \$1, and 2% of state revenues. No fund balance fee will be due to the operating company for any year in which the cumulative fund balance assistance fee paid by the School in prior years equals or exceeds the cumulative operating advances forgiven by the operating company. During the year ended June 30, 2015, no fund balance assistance fee was required to be paid.

2. Facilities expense

Imagine Charter School at Broward entered into a new lease agreement with a related party leasing company commencing in December 2009 through June 30, 2029. For the year ended June 30, 2015, base monthly rental payments were \$111,035 and will increase by the increase in consumer price index for each subsequent year. The current year facility lease expense charged to operations of the School totaled \$1,332,428. A portion of the facility use fee in the amount of \$260,657 was reimbursed through the capital outlay funds. The facility use fee for June 30, 2016 is estimated to be \$1,397,765.

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F - RELATED PARTIES

1. Due from/(due to) operating company

The School has entered into multiple agreements with the operating company (See Note E-1). Due from/(due to) operating company activity consists of the following:

	Management fees	Operating expenses	Receivable	Operating advances / Contributions	Total
Balance at July 1, 2014	\$ (7,772)	\$ 26,280	\$ 2,250	\$ 46,235	66,993
Invoiced	(708,744)	(304,318)	-	(46,235)	(1,059,297)
Payments	725,256	348,011	2,250	-	1,075,517
Balance at June 30, 2015	<u>\$ 8,740</u>	<u>\$ 69,973</u>	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ 83,213</u>

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; 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 the fiscal year. Settled claims resulting from the risks described above have not exceeded the insurance coverage since the School's inception.

NOTE H - PRIOR PERIOD ADJUSTMENTS

During the current fiscal year, the School identified an error in previous year reporting. The School erroneously increased maintenance reserve expense and other accrued expenses by \$70,000 when these expenses and liabilities were not incurred in 2014.

NOTE I - SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 17, 2015, the date which the financial statements were available for issuance and has determined that there are no material subsequent events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Imagine School at Broward
(A division of Imagine at Broward, 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 passed through local school district	\$ 5,633,672	\$ 5,556,991	\$ 5,556,991	\$ -
Other federal revenue	4,190	-	-	-
Other state revenue	13,991	99,410	99,410	-
Supplemental fee revenue	688,931	759,981	762,246	2,265
Gross school revenue	<u>6,340,784</u>	<u>6,416,382</u>	<u>6,418,647</u>	<u>2,265</u>
Expenditures				
Salaries and benefits	3,355,941	3,497,896	3,481,313	16,583
Direct educational expense	187,750	165,098	144,477	20,621
Other school service expense	220,112	254,527	254,687	(160)
General and administrative	326,017	270,459	224,871	45,588
Facility operating expense	288,400	340,320	361,548	(21,228)
Contingency	157,318	-	-	-
School operating expenses	<u>4,535,538</u>	<u>4,528,300</u>	<u>4,466,896</u>	<u>61,404</u>
Facility use fee	1,071,905	1,073,838	1,073,838	-
Equipment use fee	484	22,943	22,943	-
Administrative fee	30,000	30,000	30,000	-
Indirect costs	713,845	698,117	698,117	-
Total expenditures	<u>6,351,772</u>	<u>6,353,198</u>	<u>6,291,794</u>	<u>61,404</u>
Change in net position (budgetary basis)	(10,988)	63,184	126,853	63,669
Adjustments to conform with GAAP:				
Capital outlay expenditures	-	-	(41,406)	(41,406)
Net change in fund balances	(10,988)	63,184	85,447	22,263
Other financing sources and (uses)				
Transfers in	-	-	26,190	26,190
Total other financing sources and (uses)	(10,988)	63,184	111,637	48,453
Beginning net position due to the implementation of - GASB No. 69 (Note A-12)	621,608	621,608	621,608	-
Prior period adjustment (Note H)	70,000	70,000	70,000	-
Restated fund balances at July 1, 2014	<u>691,608</u>	<u>691,608</u>	<u>691,608</u>	<u>-</u>
Fund balances at June 30, 2015	<u>\$ 680,620</u>	<u>\$ 754,792</u>	<u>\$ 803,245</u>	<u>\$ 48,453</u>

See accompanying note to required supplementary information.

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

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

For the year ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenue				
Capital outlay funding	\$ 315,012	\$ 260,657	\$ 260,657	\$ -
Expenditures				
Facility use fee	315,012	260,657	260,657	-
Net change in fund balance	-	-	-	-
Fund balances at July 1, 2014	-	-	-	-
Fund balances at June 30, 2015	\$ -	\$ -	\$ -	\$ -

See accompanying note to required supplementary information.

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board. Since the budgetary basis differs from accounting principles generally accepted in the United States ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation to the net change in fund balances presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

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

Budgets are presented on the full 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
Imagine at Broward, Inc.
Coral Springs, 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 the governmental activities, each major fund, and aggregate remaining fund information of Imagine School at Broward (the "School"), a component unit of the School Board of Broward County, Florida, and a division of Imagine Broward, Inc. (the "Charterholder"), 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 17, 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. We consider the deficiency 2015-01 described in the Current Year Findings, Recommendations, and Responses to be a material weakness.

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. However, as described in the Current Year Findings, Recommendations, and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 17, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

To the Board of Directors
Imagine at Broward, Inc.
Coral Springs, Florida

Report on the Financial Statements

We have audited the financial statements of Imagine School at Broward (the "School"), a component unit of the School Board of Broward County, Florida, and a division of Imagine Broward, Inc. (the "Charterholder"), as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated September 17, 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, which is dated September 17, 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. There were no 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 or official title of the entity. The official title of the school is Imagine School at Broward.

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, require that we apply appropriate procedures to determine 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. In connection with our audit, refer to finding 2015-01 documented on the schedule of Current Year Findings, Recommendations, and Responses.

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.

Purpose of this Letter

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

September 17, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

PRIOR YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES

June 30, 2015

For the year ended June 30, 2014 there were no audit findings or recommendations.

**Imagine School at Broward
(A division of Imagine at Broward, Inc.)**

CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES

June 30, 2015

2015-01 Equity activity
Material weakness

Criteria: Reserve of equity should be only a reclassification from unrestricted (unreserved) to restricted (reserved)

Condition: During the merger process, we noted that the maintenance reserve was expensed at year end June 30, 2014.

Cause: An expense and a liability were recorded for the maintenance reserve which does not require a journal entry, only a reclassification.

Effect: Expenditures and accrued liabilities were overstated.

Auditor's recommendation: We recommend that the School review the manual journal report and verify that the journal entries are correct.

Management's response: The school policy is to accrue for any expenses incurred but invoice not yet received by the close of the month. Before the merger between Elementary and Middle School an accrual was made to put aside an amount for maintenance reserve. This was done as an accrual in the Elementary school. This should have been a reclassification of the general fund to restricted (reserved) fund for maintenance.