

**IMAGINE
SCHOOL AT BROWARD
(A division of Imagine at
Broward, Inc.)**

**Basic Financial Statements and
Supplementary Information**

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

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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, 2017, 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.

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 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 Charterholder.

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 October 2, 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.

October 2, 2017
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, 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) 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 as listed on the table of contents.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the current fiscal year by \$1,457,859 (net position).
- The net position of the School increased by \$150,941 during the year.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$964,498.
- At the end of the current fiscal year, the unassigned fund balance of the general fund was \$889,613.

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 (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 listed on the table of contents.

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 listed on the table of contents 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 listed in 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 starting on page as 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 \$1,457,859 and \$1,306,918 (net position), respectively, for the years ended June 30, 2017 and 2016.

A significant 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.

A summary of the School's net position as of June 30, 2017 and 2016 is presented below:

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

	Governmental Activities		
	2017	2016	Variance
ASSETS			
Current assets	\$ 1,386,741	\$ 1,406,970	\$ (20,229)
Capital assets, net of accumulated depreciation	493,361	349,453	143,908
Total assets	<u>1,880,102</u>	<u>1,756,423</u>	<u>123,679</u>
LIABILITIES			
Current liabilities	422,243	449,505	(27,262)
Total liabilities	<u>422,243</u>	<u>449,505</u>	<u>(27,262)</u>
NET POSITION			
Net investment in capital assets	493,361	349,453	143,908
Unrestricted	964,498	607,092	357,406
Designated for projects	-	350,373	(350,373)
Total net position	<u><u>\$ 1,457,859</u></u>	<u><u>\$ 1,306,918</u></u>	<u><u>\$ 150,941</u></u>

Current assets remained consistent. Capital assets, net of accumulated depreciation, increase is due to an increase of capitalized purchases offset by depreciation. 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, 2017 and 2016 is presented below:

**Imagine School at Broward
Statement of Activities**

	Governmental Activities		
	2017	2016	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 701,406	\$ 609,918	\$ 91,488
Operating grants and contributions	580,421	460,263	120,158
General revenues:			
State passed through school district	5,775,472	5,878,327	(102,855)
Other revenues	300,271	222,842	77,429
Total revenues	<u>7,357,570</u>	<u>7,171,350</u>	<u>186,220</u>
Expenses:			
Instruction	2,996,855	2,914,422	82,433
Guidance services	-	36,173	(36,173)
Media services	54,012	850	53,162
Curriculum development	183,814	91,199	92,615
Board of directors	13,000	9,489	3,511
School administration	1,333,864	1,283,568	50,296
Food service	333,897	370,942	(37,045)
Central services	10,252	10,432	(180)
Operation of plant	1,903,461	1,867,907	35,554
Maintenance of plant	128,504	95,799	32,705
Community service	248,970	214,114	34,856
Total expenses	<u>7,206,629</u>	<u>6,894,895</u>	<u>311,734</u>
Change in net position	150,941	276,455	(125,514)
Net position at July 1, 2016	<u>1,306,918</u>	<u>1,030,463</u>	<u>276,455</u>
Net position at June 30, 2017	<u>\$ 1,457,859</u>	<u>\$ 1,306,918</u>	<u>\$ 150,941</u>

The increase in charges for services is due to higher participation in pre-k, school aged child care, other school courses and summer programs. The increase in operating grants and contributions is due to increase in food service funding. The decrease in state passed through school district is due to a decrease in student FTE count. The increase in instruction and media services is a result of increased computer student testing. The increase in curriculum development is due to an extra staff member and supplies. The decrease of guidance services was due to use of county services. The increase in school administration is mostly due to higher indirect costs. The decrease in food service is due to reduction in student purchases. The increase in operation of plant, maintenance of plant and community service is mostly due to higher facility use fee and depreciation expense.

Governmental activities. Governmental activities increased the School's net position by \$150,941 for the year ended June 30, 2017. 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 \$962,565. This included the nonspendable balance for prepaid expenses and the deposit which were \$68,787 and \$4,165, respectively.

The fund balance of the School's general fund increased by \$5,100 during the current fiscal year.

General Fund Budgetary Highlights

The actual revenues and expenditures were equal to budgeted. The budgetary information can be found as listed on the table of contents of this report.

Capital Asset Administration

Capital assets. The School's net investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$493,361 (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 and Future Enrollment

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to decrease by 22 students, from 858 to 836 total for the 2017-2018 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, 2017

	<u>Governmental Activities</u>
ASSETS	
ASSETS	
Cash	\$ 1,165,921
Due from operating company	139,588
Accounts receivable	8,280
Prepaid expenses	68,787
Deposit	4,165
Total current assets	<u>1,386,741</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Audio visual materials	790
Computer software	1,289
Information technology equipment	77,106
Building and fixed equipment	16,221
Leasehold improvements	354,541
Furniture, fixtures and equipment	43,414
Total capital assets	<u>493,361</u>
Total assets	<u>1,880,102</u>
LIABILITIES	
Accounts payable	13,868
Accrued payroll and other expenses	364,340
Deferred revenue	1,627
Due to other agencies	42,408
Total liabilities	<u>422,243</u>
NET POSITION	
Net investment in capital assets	493,361
Unrestricted	964,498
Total net position	<u>\$ 1,457,859</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 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:					
Instruction	\$ 2,996,855	\$ 338,305	\$ 4,445	\$ -	\$ (2,654,105)
Media services	54,012	-	-	-	(54,012)
Curriculum development	183,814	-	-	-	(183,814)
Board of directors	13,000	-	-	-	(13,000)
School administration	1,333,864	-	-	-	(1,333,864)
Food service	333,897	-	334,134	-	237
Central services	10,252	-	-	-	(10,252)
Operation of plant	1,903,461	-	241,842	-	(1,661,619)
Maintenance of plant	128,504	-	-	-	(128,504)
Community service	248,970	363,101	-	-	114,131
Total governmental activities	\$ 7,206,629	\$ 701,406	\$ 580,421	\$ -	(5,924,802)
		General revenues:			
					5,775,472
					300,271
					6,075,743
					150,941
					1,306,918
					\$ 1,457,859

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, 2017

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,165,921	\$ -	\$ -	\$ 1,165,921
Due from other funds	-	-	1,933	1,933
Accounts receivable	8,280	-	-	8,280
Prepaid expenses	68,787	-	-	68,787
Due from operating company	139,588	-	-	139,588
Deposit	4,165	-	-	4,165
Total assets	<u>\$ 1,386,741</u>	<u>\$ -</u>	<u>\$ 1,933</u>	<u>\$ 1,388,674</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 13,868	\$ -	\$ -	\$ 13,868
Accrued payroll and other expenses	364,340	-	-	364,340
Due to other funds	1,933	-	-	1,933
Due to other agencies	42,408	-	-	42,408
Unearned revenue	1,627	-	-	1,627
Total liabilities	<u>424,176</u>	<u>-</u>	<u>-</u>	<u>424,176</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenses	68,787	-	-	68,787
Deposit	4,165	-	-	4,165
Unassigned	<u>889,613</u>	<u>-</u>	<u>1,933</u>	<u>891,546</u>
Total fund balances	<u>962,565</u>	<u>-</u>	<u>1,933</u>	<u>964,498</u>
Total liabilities and fund balances	<u>\$ 1,386,741</u>	<u>\$ -</u>	<u>\$ 1,933</u>	<u>\$ 1,388,674</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, 2017

Fund balances - total governmental funds	\$ 964,498
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	\$ 790
Computer software, net	1,289
Information technology equipment, net	77,106
Building and fixed equipment, net	16,221
Leasehold improvements, net	354,541
Furniture, fixtures and equipment, net	<u>43,414</u>
Total capital assets	<u>493,361</u>
Total net position of governmental activities	<u>\$ 1,457,859</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, 2017

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through state	\$ -	\$ -	\$ 334,134	\$ 334,134
Federal passed through school district	4,445	-	-	4,445
State passed through school district	5,871,891	241,842	-	6,113,733
Other local revenues	905,258	-	-	905,258
Total revenues	<u>6,781,594</u>	<u>241,842</u>	<u>334,134</u>	<u>7,357,570</u>
Expenditures				
Current:				
Instruction	2,958,845	-	-	2,958,845
Media services	54,012	-	-	54,012
Curriculum development	183,814	-	-	183,814
Board of directors	13,000	-	-	13,000
School administration	1,316,792	-	-	1,316,792
Food service	-	-	332,201	332,201
Central services	10,252	-	-	10,252
Operation of plant	1,619,844	241,842	-	1,861,686
Maintenance of plant	128,504	-	-	128,504
Community service	248,970	-	-	248,970
Capital outlay	242,461	-	-	242,461
Total expenditures	<u>6,776,494</u>	<u>241,842</u>	<u>332,201</u>	<u>7,350,537</u>
Net change in fund balances	5,100	-	1,933	7,033
Fund balances at July 1, 2016	957,465	-	-	957,465
Fund balances at June 30, 2017	<u>\$ 962,565</u>	<u>\$ -</u>	<u>\$ 1,933</u>	<u>\$ 964,498</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, 2017

Net change in fund balances - total governmental fund \$ 7,033

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

Governmental funds report 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

Capital outlay	\$ 242,461	
Depreciation expense	<u>(98,553)</u>	<u>143,908</u>
Change in net position of governmental activities		<u>\$ 150,941</u>

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, 2017

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 three to 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 sum of assets and deferred outflows less liabilities and deferred 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 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, 2017

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, 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. 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. Receivables

Receivables typically include amounts due from other schools, operating company and other agencies. The School's management determined, based on prior experience, that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/due from other funds. There was no due to/due from other fund for period ending June 30, 2017.

7. Prepaid expense

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. 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.

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

9. 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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. 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.

11. 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.

12. 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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. 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.

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 \$1,263,941 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 was exposed to custodial credit risk.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE C - CAPITAL ASSETS

Changes in capital assets are as follows:

	Balance at July 1, 2016	Additions/ Adjustments	Deletions	Balance at June 30, 2017
Construction in progress	\$ 71,616	\$ -	\$ 71,616	\$ -
Capital assets depreciated:				
Audio visual materials	20,930	-	-	20,930
Computer software	9,714	-	-	9,714
Information technology equipment	348,575	10,501	-	359,076
Buildings and fixed equipment	27,226	-	-	27,226
Leasehold Improvements	150,744	278,828	-	429,572
Furniture, fixtures and equipment	103,553	24,748	-	128,301
Total assets depreciated	<u>\$ 660,742</u>	<u>\$ 314,077</u>	<u>\$ -</u>	<u>\$ 974,819</u>
Less accumulated depreciation:				
Audio visual materials	\$ 17,150	\$ 2,990	\$ -	\$ 20,140
Computer software	8,019	406	-	8,425
Information technology equipment	236,464	45,506	-	281,970
Buildings and fixed equipment	19,964	(8,959)	-	11,005
Leasehold Improvements	31,083	43,948	-	75,031
Furniture, fixtures and equipment	70,225	14,662	-	84,887
Total accumulated depreciation	<u>382,905</u>	<u>98,553</u>	<u>\$ -</u>	<u>481,458</u>
Total capital assets, net	<u>\$ 277,837</u>	<u>\$ 215,524</u>	<u>\$ -</u>	<u>\$ 493,361</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE C - CAPITAL ASSETS (continued)

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

Operation of plant	\$	41,775
School administration		17,071
Food services		1,696
Instruction		38,011
		38,011
	\$	98,553

NOTE D - CONCENTRATIONS

Revenue sources

As stated in Note A-9, 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 funding	\$ 3,875,175
Class size reduction	1,041,069
Discretionary local effort	398,604
Supplemental academic instruction	173,533
Digital classrooms allocation	15,065
ESE guaranteed allocation	157,918
Instructional materials	65,514
Safe schools	18,764
Discretionary lottery	14,587
Proration to funds available	(2,191)
Reading allocation	37,535
Administration fee withheld	(33,741)
Adjustments	1,810
FL teacher lead	11,830
Total revenue through School Board of Broward County	5,775,472
Other revenues	300,271
Charges for services	701,406
Operating grants and contributions	580,421
Total revenue	\$ 7,357,570

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017, were \$721,253 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, 2017, no fund balance assistance fee was required to be paid.

2. Facilities expense

Imagine Charter School at Broward entered into a lease agreement with a related party leasing company commencing in December 2009 through June 30, 2029. For the year ended June 30, 2017, base monthly rental payments were \$113,268 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 \$1,359,977. A portion of the facility use fee in the amount of \$241,842 was reimbursed through the capital outlay funds. The facility use fee for the year ended June 30, 2018 is estimated to be \$1,373,577.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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:

	<u>Due from</u>
Balance at July 1, 2016	\$ 153,731
Invoiced	(1,246,758)
Payments	<u>1,232,615</u>
Balance at June 30, 2017	<u><u>\$ 139,588</u></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 - SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 2, 2017, 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, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenue				
State passed through school district	\$ 5,759,412	\$ 5,763,642	\$ 5,763,642	\$ -
Other federal revenue	-	4,445	4,445	-
Other state revenue	-	108,249	108,249	-
Supplemental fee revenue	795,414	905,258	905,258	-
Net school operating revenue	6,554,826	6,781,594	6,781,594	-
Expenditures				
Salaries and benefits	3,320,975	3,484,260	3,484,260	-
Direct educational expense	136,717	172,390	172,390	-
Other school service expense	242,000	274,848	274,848	-
General and administrative	234,085	298,907	298,907	-
Facility operating expense	404,393	430,870	430,870	-
School operating expenses	4,338,170	4,661,275	4,661,275	-
Facility use fee	1,279,795	1,121,208	1,121,208	-
Equipment use fee	13,500	297	297	-
Administrative fee	30,000	30,000	30,000	-
Indirect costs	703,441	721,253	721,253	-
Total expenditures	6,364,906	6,534,033	6,534,033	-
Change in net position (budgetary basis)	189,920	247,561	247,561	-
Adjustments to conform with GAAP:				
Capital outlay expenditures	(102,600)	(242,461)	(242,461)	-
Net change in fund balances	87,320	5,100	5,100	-
Fund balances at July 1, 2016	957,465	957,465	957,465	-
Fund balances at June 30, 2017	\$ 1,044,785	\$ 962,565	\$ 962,565	\$ -

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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
Capital outlay funding	\$ 102,600	\$ 241,842	\$ 241,842	\$ -
Expenditures				
Facility use fee	102,600	241,842	241,842	-
Net change in fund balance	-	-	-	-
Fund balances at July 1, 2016	-	-	-	-
Fund balances at June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017

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 of America ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. 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 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
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, 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 October 2, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 2, 2017
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, 2017, and have issued our report thereon dated October 2, 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 Reporting Requirements

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 October 2, 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 or official title of the entity. The official title of the School is Imagine School at Broward.

Financial Condition and Management

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.

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 recommend increasing review procedures for the following:

- i. End of year closing transactions.
- ii. Adhering to the capitalization policy.
- iii. Separation of grant and local funds in the accounting ledger.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

October 2, 2017
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

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

PRIOR YEAR MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

June 30, 2017

Prior Year Management Findings, Recommendations, and Responses

2016-001 Cutoff

Material weakness

Condition: During testing of subsequent disbursements, we identified a construction in progress transaction that was for services provided in June 2016 and recorded in July 2016.

Auditor's recommendation: We recommend the School review subsequent disbursements for proper period recording.

Status: Cleared.

2016-002 Budget over expenditure

Noncompliance

Condition: During the current year, actual expenditures exceeded the final approved budget by approximately \$48,000.

Auditor's recommendation: We recommend the School review subsequent disbursements for proper period recording prior to the final budget approval.

Status: Cleared.