

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF
LEE COUNTY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Alejandra M. Juffe
Certified Public Accountant

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

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THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

This section of the annual financial report of The Island School, Inc. presents management's discussion and analysis of the school's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the school's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The School's total net assets increased by \$33,438 from the prior year. Revenues from State sources increased due to the increase in the number of students.

The increase in the net position is a strong indicator that the School financial position keeps improving.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

The first two statements are *government-wide financial* statements that provide both long-term and short-term information about the School's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements. The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required *supplementary information* that further explains the information in the financial statements.

This document also includes the independent auditor's report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	<u>Government-Wide Statements</u>	<u>Fund Statements Governmental Funds</u>
Scope	Entire School	The activities of the school that are not proprietary or fiduciary.
Required Financial Statements.	Statement of net assets. Statement of activities.	Balance sheet. Statement of revenues, expenditures and changes in fund balances.
Accounting basis and measurement focus.	Accrual accounting and economic resources focus.	Modified accrual basis of accounting and current financial resources focus.
Type of asset/liability information.	All assets and liabilities, both financial and capital, and short-term & long-term.	Only assets expected to be used up and liabilities that come due during the year, or soon thereafter; no capital assets included.
Type of inflow/outflow information.	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year. Expenditures when goods or services have been received and payment is due during the year or soon thereafter.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the School as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

THE ISLAND SCHOOL, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The two government-wide financial statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's Financial health or position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the School, one needs to consider additional non-financial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

Governmental activities – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.

Business-type activities – in certain instances, the School may charge fees to help cover the costs of certain services it provides. The School provided an After School program in the year ended June 30, 2015 for which fees were charged to assist with the overall cost of the program.

Component units – there are currently no component units included within the reporting entity of the School.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has one kind of fund:

Governmental funds – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future, to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the difference between them.

THE ISLAND SCHOOL, INC
A CHARTER SCHOOL AND COMPONENT UNIT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The School's combined net assets increased from fiscal year 2014 to 2015:

	Governmental Activities		
Assets	2014	2015	Change
Current and other assets	452,327	611,569	\$ 159,242.00
Capital assets, net	2,603,940	2,492,813	(111,127)
Total assets	3,056,267	3,104,382	48,115
Current and other liabilities	42,294	56,971	14,677
Net position			
Invested in capital assets	2,603,940	2,492,813	(111,127)
Restricted for:			-
Restricted, Computer Upgrades	9,630	9,630	-
Restricted, Logos	2,016	-	(2,016)
Restricted Smart Boards	3,452	3,452	-
Restricted Science Equipment	2,795	2,379	(416)
Unrestricted	392,140	539,137	146,997
Total net position	3,013,973	3,047,411	33,438

The Statement of Net Position presents information on all of the assets and liabilities as of June 30, 2015, showing total assets of \$3,104,382 and total liabilities of \$56,971. The majority of the liabilities include accrued salaries, benefits, and payroll taxes in the amount of \$9,831 and a deferred grant for \$40,000 which will be applied to the June 30th, 2016 fiscal year. Net position of \$3,047,411. is the difference between total assets and total liabilities. The increase of the net position from the prior year is an indicator that the financial position of the Charter School is improving.

THE ISLAND SCHOOL, INC
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

CHANGE IN NET POSITION

The School's total revenues increased and the total cost of all programs and services increased from fiscal years 2014 to 2015 (see table below).

	Governmental Activities		
	2014	2015	Change
Revenues:			
State and local sources	\$ 268,959	\$ 373,432	104,473
Contributions and other revenues	524,411	533,416	9,005
			-
Total revenues	793,370	906,848	113,478
			-
Expenses:			
Instruction & instruction-related services	404,822	482,359	77,537
Administrative support services	215,197	240,180	24,983
Other support services	18,349	19,456	1,107
Operation of plant	126,622	126,941	319
Other expenses	-	-	-
			-
Total expenses	764,990	868,936	103,946
			-
Net , After School Program	-	(9,162)	(9,162)
Excess revenues over expenses	\$ 28,380	\$ 28,750	370
			-
OTHER SOURCES (USES)			
Other investment income	7,178	4,688	(2,490)
Restricted support , net	68,759	-	(68,759)
Change in net position	104,317	33,438	(70,879)
			-
Net position - beginning	2,909,656	3,013,973	104,317
			-
Net position - ending	\$ 3,013,973	\$ 3,047,411	\$ 33,438

Revenues from the state sources increased due to the increase in the number of students.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$554,598, which was an increase from the prior year.

THE ISLAND SCHOOL, INC
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual contributions and other revenue exceeded budgeted revenue by \$ 68,113, primarily due to increased contributions and additional state grants. Budgeted costs exceeded actual costs by \$ 41,738, not including the capital expenditures of \$ 715.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2015, the School had invested \$3,210,066 in a range of capital assets.

	Governmental Activities		Change
	2014	2015	
Buildings and improvements	\$ 2,945,969	\$ 2,945,969	\$ -
Furniture, fixtures and equipment	172,666	173,381	715
Smart Boards	11,848	11,848	0
Reading Curriculum	22,368	22,368	0
Science room equipment & curriculum	17,606	17,606	0
Project child learning system	38,894	38,894	0
			0
Total capital assets	\$ 3,209,351	\$ 3,210,066	715

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The number of enrolled students during the fiscal year of June 30, 2015 was 52. At the beginning of the 2015-2016 school year, there are 56 enrolled students. The Board and Staff are continuing fund raising efforts to keep the community aware of the continuing growth of the school.

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INDEPENDENT AUDITORS' REPORT

August 24, 2015

To the Board of Directors of The Island School, Inc.
A Charter School and Component Unit of
The District School Board of Lee County, Florida

Report on the Financial Statements

We have audited the accompanying special purpose financial statements of The Island School, Inc., a Charter School and component unit of the District School Board of Lee County, Florida, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise The Island School, Inc.'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 for the Financial Statements

Our responsibility is to express an opinion 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 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 risk of material misstatements 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Island School, Inc. as of June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America (GAAP) require that the Management's Discussion and Analysis on pages 1 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, which 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 August 24, 2015 on our consideration of The Island School, Inc.'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 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 Island School, Inc.'s internal control over financial reporting and compliance.



Alejandra M. Juffe
Certified Public Accountant

THE ISLAND SCHOOL, INC
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

ASSETS	Governmental Activities
Current Assets	
Cash and cash equivalents	\$ 277,273
Restricted cash and cash equivalents	331,057
Prepaid expenses	3,239
Total Current Assets	611,569
Capital assets:	
Buildings and Improvements	2,945,972
Furniture, fixtures and equipment	173,380
Smart boards	11,848
Reading curriculum	22,368
Science room equipment and curriculum	17,606
Project child learning system	38,893
Less accumulated depreciation	(717,254)
Total capital assets, net	2,492,813
TOTAL ASSETS	3,104,382
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	-
Accrued payroll, payroll taxes and benefits	9,831
Deferred inflows of resources	40,000
Notes payable- current	7,140
Total Current Liabilities	56,971
Net Position	
Invested in capital assets	2,492,813
Restricted for:	
Restricted, Computer Upgrades	9,630
Restricted, Smart Boards	3,452
Restricted, Science Equipment	2,379
Unrestricted	539,137
TOTAL NET POSITION	\$ 3,104,382

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

THE ISLAND SCHOOL, INC
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONAL PROGRAMS	Expenses	Operating Grants and Contributions	Charges for Services	Net (Expense) Revenue and Change in Net Assets
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 478,198	\$ -	\$ -	\$ 478,198
Instruction staff development	4,161	-	-	4,161
Administrative support services	240,180	-	-	240,180
Other support services	19,456	-	-	19,456
Operation of plant	126,941	-	-	126,941
TOTAL GOVERNMENTAL ACTIVITIES	\$ 868,936	\$ -	\$ -	\$ 868,936
GENERAL REVENUES				
State aid:				
Formula grants				\$ 356,004
Capital outlay funds				17,428
Contributions and other revenue				533,416
TOTAL GENERAL REVENUES				906,848
Excess of revenue over expenditures				37,912
Net, After School Program				(9,162)
Subtotal				28,750
Realized Gain on investment				3,607
Dividend Income				145
Interest Income				936
Restricted program support - out				(560)
Restricted program support - in				560
Net changes in fund balance				33,438
NET POSITION AT JULY 1, 2014				3,013,973
NET POSITION AT JUNE 30, 2015				\$ 3,047,411

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

THE ISLAND SCHOOL, INC
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2015

ASSETS	General Fund
Cash and cash equivalents	\$ 277,273
Restricted cash and cash equivalents	331,057
Prepaid expenses	3,239
TOTAL ASSETS	\$ 611,569
 LIABILITIES AND FUND BALANCE	
 LIABILITIES	
Accounts payable	-
Accrued payroll	\$ 9,831
Deferred inflows of funds	40,000
Notes payable - current	7,140
TOTAL LIABILITIES	56,971
 FUND BALANCE	
 Restricted:	
Restricted, computer upgrades	9,630
Restricted, smart boards	3,452
Restricted, science equipment	2,379
 Unassigned:	
Undesignated	539,137
 TOTAL FUND BALANCE	 554,598
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 611,569

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

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

TOTAL FUND BALANCE – GOVERNMENTAL FUND	\$ 554,598
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets are \$3,210,066 and the accumulated depreciation is (\$717,253).

<u>2,492,813</u>

TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	\$ 3,047,411
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The accompanying notes are an integral part
of these financial statements.

THE ISLAND SCHOOL, INC
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
State Funds	\$ 356,004	\$ 17,428	\$ 373,432
Contributions and other revenue	533,416	-	533,416
After school program	31,691	-	31,691
TOTAL REVENUES	921,111	17,428	938,539
EXPENDITURES			
Current - Education			
Instruction	440,712	-	440,712
Instructional staff development	4,161	-	4,161
Administrative support services	240,180	-	240,180
Other support services	19,456	-	19,456
Operation of plant	52,585	-	52,585
After school program	40,853	-	40,853
Capital Outlay:			
Furniture purchase	-	715	715
TOTAL EXPENDITURES	797,947	715	798,662
EXCESS OF REVENUE OVER EXPENDITURES	123,164	16,713	139,877
OTHER FINANCING SOURCES (USES)			
REALIZED GAIN ON INVESTMENTS	3,607	-	3,607
DIVIDEND INCOME	145	-	145
INTEREST INCOME	936	-	936
RESTRICTED PROGRAM SUPPORT	-	-	-
TRANSFER OF RESTRICTED FUNDS - IN	560	-	560
TRANSFER OF RESTRICTED FUNDS - OUT	(560)	-	(560)
NET CHANGES IN FUND BALANCE	127,852	16,713	144,565
FUND BALANCE AT JULY 1, 2014	410,033	-	410,033
FUND BALANCE AT JUNE 30, 2015	\$ 537,885	\$ 16,713	\$ 554,598

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

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUND	\$ 139,877
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Amounts reported for governmental activities in the statement of
activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense (\$111,842) exceeds capital outlays (\$715) in the current period.	(111,127)
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NET CHANGES IN TOTAL ASSETS	\$ 28,750 =====
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The accompanying notes are an integral part
of these financial statements.

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Island School, Inc. (the “School”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of eight members.

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, the District School Board of Lee County, Florida (the “School Board”). The current charter is effective until June 30, 2020 and may be Renewed in increments of five years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In the case, the School Board 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 School Board may also terminate the charter if good cause is shown.

In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is considered a component unit of the School Board; Therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School’s basic financial statements are identified and described in the Governmental Accounting Standards Board’s (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The School’s financial instruments are cash and cash equivalents, pledge receivables and accounts payable. The recorded values of these assets and liabilities approximate their fair values based on their short-term nature.

THE ISLAND SCHOOL, INC.
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OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

BASIS OF PRESENTATION

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, both government-wide and fund financial statements are presented. The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. See Note 7 for discussion pertaining to Temporarily Restricted Funds.

The government-wide financial statements of the School are generally divided into three categories:

Governmental activities - most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.

Business-type activities – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School provides an After School Program which fees are charged to assist to cover the overall costs of the program. See Note 8.

Component units – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for as individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

General Fund – to account for all financial resources not required to be accounted for in another fund.

Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, the general fund constitutes a major fund. There are no other governmental funds.

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting with an economic resource focus. Revenues are recognized when earned and expenses are recognized when incurred. The modified accrual basis of accounting and current financial resource focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principle exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

BUDGETARY BASIS ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay.)

DEPOSITS AND INVESTMENTS

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The School's cash consist primarily of demand deposits.

RESTRICTED CASH, TEMPORARILY RESTRICTED AND PERMANENT ENDOWMENT

Restricted cash in the accompanying financial statements represents amounts held for a permanent endowment. All income generated from this permanent endowment is fully expendable as unrestricted support. The School had \$2,795 remaining at the beginning of the year from a prior year donation to be used for science and math curriculum. The School expended \$416 on program supplies with \$2,379 remaining.

The school had also received \$15,000 to purchase and install smart learning boards for the classrooms during the school year 2010/2011. \$11,548 was spent during the fiscal year ending June 30, 2011. There is a remaining balance of \$3,452 as of June 30, 2015. The School received a grant during the fiscal year June 30, 2013 for \$40,000. There is a restricted amount of \$9,630 for computer upgrades from the above grant that is remaining as of June 30th, 2015. All of these funds were temporarily restricted.

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. The capital assets acquired are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

Buildings and improvements	40 years
Furniture, fixtures and equipment	2 – 7 years
Smart boards	7 years
Reading curriculum	7 years
Science room equipment & curriculum	7 years
Project child learning system	5 years

Information relative to changes in capital assets is described in Note 3.

REVENUE SOURCES

Revenues for current operations are received from the District School Board of Lee County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP).

Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The administrative fee paid to the School Board is 5% of the Florida Education Finance Program Funds, or \$18,547 for the year ended June 30, 2015. The cost is reflected as a school administration expenditure in the statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

Revenue is received in the form of donations from local community organizations and community members. These donations are in the form of unrestricted funds for the general school operations.

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

USE OF ESTIMATES

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenditures for the period presented. Actual results could differ significantly from those estimates.

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has a balance of \$40,000 for the year ended June 30, 2015.

Income Tax Exemption

The School is exempt from federal income taxes under the provision of Section 501 (c) (3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made.

Management is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities.

The School's tax filings, Form 990, are subject to audit by various taxing authorities. The Organization's federal returns for 2012, 2013 and 2014 remain open to examination by the Internal Revenue Service.

New Accounting Pronouncements

GASB Statement No. 63 – In June 2011, the GASB issued Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources as defined by GASB's Concepts Statement No. 4. It also amends the new asset reporting requirements in Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows and deferred inflows of resources into the definition of net assets and by renaming it as net position, rather than net assets. The requirements of this Statement will improve financial reporting by standardizing the presentation and their effects on a government's net position. The provisions of this Statement are in effect this fiscal year ending June 30, 2015.

THE ISLAND SCHOOL, INC
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 - CHANGES IN CAPITAL ASSETS

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

	Beginning Balance	Increase / (Decrease)	Ending Balance
Governmental activities:			
Other capital assets:			
Buildings and Improvements	\$ 2,945,972	\$ -	\$ 2,945,972
Furniture, fixtures and equipment	172,666	715	173,381
Smart boards	11,848	-	11,848
Reading curriculum	22,367	-	22,367
Science room equipment	17,606	-	17,606
Project child learning system	38,893	-	38,893
Total capital assets at historical cost	<u>3,209,352</u>	<u>715</u>	<u>3,210,067</u>
Less accumulated depreciation for:			
Buildings and Improvements	372,764	74,356	447,120
Furniture, fixtures and equipment	232,648	37,486	270,134
Total accumulated depreciation	<u>605,412</u>	<u>111,842</u>	<u>717,254</u>
Governmental activities capital assets, net	<u>2,603,940</u>	<u>(111,127)</u>	<u>2,492,813</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction and instruction-related services	\$ 37,486
Administrative support services	-
Operation of plant	<u>74,356</u>
Total governmental activities depreciation expense	<u>\$ 111,842</u>

NOTE 3 - SCHEDULE OF STATE REVENUE SOURCES

The following is a detailed schedule of state funds received from the District School Board of Lee County, Florida:

Florida Education Finance Program	\$ 353,522
Capital outlay	17,428
Instructional materials	<u>2,482</u>
Total	<u>\$ 373,432</u>

The administration fee paid to the School Board during the year ending June 30, 2015 totaled \$18,547, which is reflected as a school administration expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 – INVESTMENTS

The School has sold its investment accounts during the fiscal year ended June 30, 2015. The capital gain from the sale of the investment accounts is reported as other investment income on the change of position report.

NOTE 5 – RISK MANGEMENT PROGRAM

General liability and professional liability are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Workers' compensation coverage, health and hospitalization are purchased as part of the leased employee program. Settled claims resulting from these risks have not exceeded commercial coverage. The School's exterior of the building is covered under the lease agreement with the county. The School's personal property is covered through a separate policy.

NOTE 6 – COMMITMENTS AND CONTINGENT LIABILITIES

GRANTS

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collection of any related receivable at June 30, 2015 may be impaired.

It is the opinion of the School that there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 6 – COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

CUSTODIAL CREDIT RISK – DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School's deposit policy for custodial credit risk is to spread its deposits among various institutions to the extent possible in order to limit its exposure to any one institution. As of June 30, 2015 \$327,328 of the School's \$577,328 bank balance was exposed to custodial credit risk.

OPERATING LEASES

The School utilizes classroom and administrative facilities under an operating lease with an unrelated party. This lease expired September 1, 2007 and included annual payments totaling \$1. Gift-in-kind revenue and related rent expense are not reflected in the accompanying financial statements due to significant uncertainty regarding the fair value of the facilities used.

LAND LEASE

The School entered into a land lease agreement with Lee County on April 25, 2006. The lease is for real property at 131 1st Street West, Boca Grande, Florida and is located at the County's Boca Grande Community Center. The lease is for a term not to exceed 30 years and has an option to renew for another 30 upon written agreement with all parties. The rent is \$1 per year. The County will maintain the roof and windows and provide routine maintenance. The School will bear the cost of water/sewer, trash, electricity and telephone. The School may not assign the lease, nor sublet without written approval from the County. The County can not terminate the lease without good cause and the School has the right to terminate the lease with one year's written notice. Upon termination of the lease, the lessee may remove personal property, however, the building, fixtures and real property belong to the County.

As of June 30, 2008 the building was transferred to Lee County Schools in exchange for a 30 year lease with a 30 year option. This was treated as a sale-leaseback transaction on the basis that the lease encompasses over 75% of its useful life. The value of the lease is considered equal to the cost of construction.

THE ISLAND SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7 – FUND BALANCES

Nonspendable fund balances represents the amount of net capital assets that cannot be spent because they are not in spendable form and the School does not hold title to a major asset still retained within the fund balance. See note 6.

Restricted fund balances represent the amount that has been restricted to a specific purpose by the Donor, once the purpose has been satisfied the amount will be transferred to Unassigned fund balance.

Unassigned fund balance is the residual classification for the general fund. This classification represents the fund balance that has not been assigned to other funds, that is not nonspendable, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Interfund transfers occur when the specific purpose of a restricted (temporarily) fund has been completed by the School; the amount is then transferred to the unrestricted fund and expended for the purpose that the donor had restricted the fund to be used for.

NOTE 8 – AFTER SCHOOL PROGRAM

During the fiscal year ended June 30, 2015, the after school program have revenues of \$31,691 from fees and contributions. Expenses for the program including direct wages and operational expenses were \$40,853 resulting in a net program loss of \$9,162. Staff members and Board members are engaged in making the Community aware of the program to obtain donations and grants.

NOTE 9 – RELATED PARTY

During fiscal 2015, board members made contributions totaling approximately \$32,000 to the School for general operating purposes.

On May 4, 2009 board members formed a foundation organized as a public charity under Internal Revenue code 501 (c)(3) known as The Island School Foundation, Inc. The Foundation's mission is to exclusively support the advancement of education in Boca Grande, FL including but not limited to the assistance of The Island School, Inc.

NOTE 10 – NOTE PAYABLE

The School entered into an agreement with the Institute for School Innovation on April 15, 2011 and agreed to pay a total of \$36,756 for a program titled Project Child. As of June 30, 2012, \$29,346 was paid. The remaining balance was set-up as a note of \$7,410 due by June 30, 2013. The vendor, Institute for School Innovation has ceased operations as of June 30, 2013. The School is awaiting final billing for payment of the outstanding note payable.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through August 24, 2015, the date the financial statements were available to be issued.

THE ISLAND SCHOOL, INC
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES			
State formula grants	\$ 341,500	\$ 356,004	\$ 14,504
Contributions and other revenue	511,498	533,416	21,918
After school program	25,000	31,691	6,691
TOTAL REVENUES	877,998	921,111	43,113
EXPENDITURES			
Instruction	501,456	440,712	60,744
Instruction staff development	9,060	4,161	4,899
Administrative support services	237,689	240,180	(2,491)
Other support services	23,600	19,456	4,144
Operation of plant	56,661	52,585	4,076
After school program	36,219	40,853	(4,634)
TOTAL GOVERNMENTAL ACTIVITIES	864,685	797,947	66,738
NET CHANGE IN FUND BALANCE	\$ 13,313	\$ 123,164	\$ 109,851

REQUIRED SUPPLEMENTARY INFORMATION

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**Report of Independent Auditors 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 of The Island School, Inc.
a Charter School and Component Unit of
the District School Board of Lee County, Florida

We have audited the basic financial statements of The Island School, Inc. (the "School"), a charter school and component unit of the District School Board of Lee County, Florida, as of and for the year ending June 30, 2015, and have issued our report thereon dated August 24, 2015. 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.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting 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 over financial reporting 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 of 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.

Our report was delivered to the School on August 24, 2015 .

This report is intended for the information and use of management of the School, the School Board of Lee County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Date



By: Alejandra M. Juffe

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Management Letter

To the Board of Directors of The Island School, Inc.
a Charter School and Component Unit of
the District School Board of Lee County, Florida

We have audited the financial statements of The Island School, Inc. as of and for the fiscal year ending June 30, 2015, and have issued our report thereon dated August 24, 2015. .

We have issued our Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting, dated August 29, 2015, based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*. Disclosures in the report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, *Rules of the Florida Auditor General*, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854 (1)(e)(1)) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding financial audit report. No specific recommendations were made in the prior year.

The *Rules of the Auditor General* (Section 10.854 (1)(E)(3)) requires disclosure in the management letter of any recommendations to improve present financial management, accounting procedures, and internal controls. There are no recommendations.

The *Rules of the Auditor General* (Section 10.854 (1)(e)(2)) requires a statement as to whether or not the entity has met one or more of the conditions described in Section 218.503 (1) indicating whether financial emergency conditions existed resulting from a deteriorating financial condition. The Island School, Inc. has not reported a deficit fund balance. No financial emergency conditions exist.

Section 10.854 (1)(e)(4), *Rules of the Auditor General*, requires that we address non compliance with provision of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.854(1)(i)5., *Rules of Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.854 (1)5., *Rules of Auditor General*, requires the name or official title of the school. The official title of the school is The Island School, Inc.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), *Rules of Auditor General (for charter schools and centers only)*, we applied financial condition assessment procedures. It is management's responsibility to monitor, The Island School's, Inc. 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 10.804(1)(f)6., *Rules of the Auditor General*, requires that we report the results of our determination as to whether The Island School, Inc. maintains on its Web site the information specified in Section 1011.035, Florida Statutes. (Section 1011.035, Florida Statutes, provides that district school boards include a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). In connection with our audit, we determined that The Island School, Inc maintained on its Web site the information specified in Section 1011.035, Florida Statutes.

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



By Alejandra Juffe, CPA
Englewood, FL
August 24, 2015