

**Capstone Academy Milton
(Program of Capstone Adaptive
Learning and Therapy Centers, Inc.)
(A Nonprofit Organization)**

**Financial Statements
June 30, 2018**

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(A Nonprofit Organization)**

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Independent Auditor's Report

To The Board of Directors
Capstone Adaptive Learning and Therapy Centers, Inc.
Capstone Academy Milton
Pensacola, Florida

We have audited the accompanying financial statements of Capstone Academy Milton (Program of Capstone Adaptive Learning and Therapy Centers, Inc.) (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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 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 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.

To The Board of Directors
Capstone Adaptive Learning and Therapy Centers, Inc.
Capstone Academy Milton
Pensacola, Florida

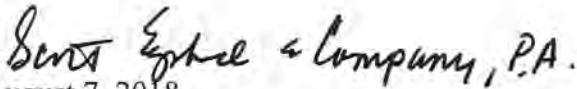
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capstone Academy Milton (Program of Capstone Adaptive Learning and Therapy Centers, Inc.) as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2018, on our consideration of Capstone Academy Milton'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 Capstone Academy Milton's internal control over financial reporting and compliance.


August 7, 2018
Pensacola, Florida

Capstone Academy Milton
(Program of Capstone Adaptive Learning and Therapy Centers, Inc.)
(A Nonprofit Organization)
Statement of Financial Position
June 30, 2018

<u>Assets</u>		
Cash		\$ 40
Receivables		18,483
Property and Equipment:		
Leasehold improvements	\$ 12,768	
Less accumulated depreciation	<u>(3,611)</u>	
Net leasehold improvements		9,157
Computers and equipment	241,986	
Less accumulated depreciation	<u>(184,388)</u>	
Net computers and equipment		<u>57,598</u>
Total Assets		<u><u>\$ 85,278</u></u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accrued compensated absences		\$ 6,052
Prepaid income		692
Due to Capstone Academy Pensacola		<u>76,273</u>
Total Liabilities		<u>83,017</u>
Net Assets:		
Unrestricted		<u>2,261</u>
Total Net Assets		<u>2,261</u>
Total Liabilities and Net Assets		<u><u>\$ 85,278</u></u>

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

Capstone Academy Milton
(Program of Capstone Adaptive Learning and Therapy Centers, Inc.)
(A Nonprofit Organization)
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

Unrestricted:

Revenues:

Florida Education Finance Program	\$ 189,113
School district capital outlay funds	2,334
Voluntary Prekindergarten Program	18,432
Therapy income	78,762
After-school tuition and fees	102,573
Contributions	72,842
	<hr/>
Total Unrestricted Revenues	464,056
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Expenditures:

Instruction and support	413,609
Board	25
General administration	7,996
School administration	92,578
Fiscal services	4,064
Food services	5,819
Central services	6,182
Pupil transportation	2,716
Operation of plant	33,478
Maintenance of plant	1,636
Depreciation	18,272
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Total Expenditures	586,375
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Decrease in Unrestricted Net Assets (122,319)

Net Assets—Beginning of Period 124,580

Net Assets—End of Period \$ 2,261

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

Capstone Academy Milton
(Program of Capstone Adaptive Learning and Therapy Centers, Inc.)
(A Nonprofit Organization)
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows From Operating Activities:	
Decrease in net assets	\$ (122,319)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities—	
Depreciation	18,272
Changes in—	
Receivables	(5,018)
Prepaid income	(282)
Accrued compensated absences	952
Net Cash Used by Operating Activities	<u>(108,395)</u>
Cash Flows From Investing Activities:	
Purchases of property and equipment	<u>(3,376)</u>
Net Cash Used by Investing Activities	<u>(3,376)</u>
Cash Flows from Financing Activities:	
Advances from Capstone Academy Pensacola	<u>76,273</u>
Net Cash Provided by Financing Activities	<u>76,273</u>
Decrease in Cash	(35,498)
Cash—Beginning of Period	<u>35,538</u>
Cash—End of Period	<u><u>\$ 40</u></u>

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

Capstone Academy Milton
(Program of Capstone Adaptive Learning and Therapy Centers, Inc.)
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2018

Note 1—Summary of Significant Accounting Policies

Organization and Purpose

Capstone Academy was organized on August 27, 2004, by Capstone Adaptive Learning and Therapy Centers, Inc., (Capstone) formerly known as United Cerebral Palsy of Northwest Florida, Inc., a nonprofit corporation, to serve as a charter school for three- to five-year-old children with, or in danger of, developmental delay, pursuant to a charter school contract with The School Board of Escambia County, Florida. The Milton location started January 1, 2010. Its contract is with the School Board of Santa Rosa County, Florida (the “District”), and is effective until June 30, 2019. The charter school also provides a Voluntary Prekindergarten Program for four-year-old children in the community, after-school care, and therapy services.

Basis of Presentation

The accompanying special purpose financial statements of Capstone Academy Milton (the “School”) are prepared pursuant to the rules of the Florida Auditor General and are a component part of Capstone Adaptive Learning and Therapy Centers, Inc. The land, building and substantially all of the operating equipment acquired by Capstone for the School are not included in the accompanying financial statements (see Note 5). The School is considered a component unit of the District.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with an original maturity of ninety days or less. There are no cash equivalents at June 30, 2018.

Capstone Academy Milton
(Program of Capstone Adaptive Learning and Therapy Centers, Inc.)
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2018

Note 1—Summary of Significant Accounting Policies (continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Financial Statement Presentation

The School reports information regarding financial position and activities according to three classes of net assets: Unrestricted, temporarily restricted, and permanently restricted. Net assets are classified based on externally imposed restrictions, if any, that may or may not be met by actions of management or by the passage of time. There were no temporarily or permanently restricted net assets as of June 30, 2018.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated market value on the date of contribution. Expenditures which equal or exceed \$500 and materially increase values, change capacities, or extend useful lives are capitalized. Repairs and maintenance costs are charged to operations when incurred. Certain equipment was acquired with public funds and shall revert to the Board upon termination of the charter. Depreciation is computed using the straight-line method. The estimated useful life of its property and equipment is three (3) to ten (10) years.

Long-lived assets held and used by the School are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed. As of June 30, 2018, none of the School's long-lived assets were considered to be materially impaired.

Capstone Academy Milton
(Program of Capstone Adaptive Learning and Therapy Centers, Inc.)
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2018

Note 1—Summary of Significant Accounting Policies (continued)

Public Support

Public support revenue from local governments and government grants is recorded based upon the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the performance of the services has been rendered.

Income Taxes

Capstone is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3). As a result, there is no provision for taxes in the accompanying financial statements.

Events Occurring After Reporting Date

The School has evaluated events and transactions that occurred between June 30, 2018, and August 7, 2018, which is the date that the financials were available to be issued, for possible recognition or disclosure in the financial statements.

Note 2—Receivables

Receivables consist of amounts related to service fees charged and are stated at the amount management expects to collect. Management considers receivables to be fully collectible; accordingly, no allowance for uncollected amounts was necessary as of June 30, 2018.

Note 3—Due to Capstone Academy Pensacola

The Pensacola charter school in Escambia County, Florida, has been in operation since 2004. This payable represented advances received from Pensacola for operations for the year ended June 30, 2018.

Capstone Academy Milton
(Program of Capstone Adaptive Learning and Therapy Centers, Inc.)
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2018

Note 4—Florida Education Finance Program

Revenues for current operations are received primarily from the Santa Rosa County School District (the “District”) pursuant to the funding provisions included in the School’s charter. In accordance with funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (the “Department”) 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 Department under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent survey periods. The District receives a 5% administrative fee from the School and is calculated based on the unweighted full-time equivalent students. For the period ended June 30, 2018, administrative fees paid the District included in the statements of activities under general administration expenses totaled \$3,196.

Note 5—Related Party Transactions

The School is managed and operated by Capstone Adaptive Learning and Therapy Centers, Inc., a nonprofit organization, originally organized in 1953. The mission of Capstone Adaptive Learning and Therapy Centers, Inc., is advancing the independence for children and adults with a spectrum of abilities and disabilities.

Capstone’s financial reporting year end is September 30. The School is reported as a program of Capstone.

Capstone owns the land and building and leases them to the School at a monthly cost of \$3,500. For the year ended June 30, 2018, total rent expense for the facilities included in the statement of activities under instruction and support expenditures totaled \$42,000.

Capstone further provides management services to the School under an agreement which provides for a monthly fee of \$400. For the period ended June 30, 2018, fees for the management services included in the statement of activities under general administration expenditures totaled \$4,800.

Capstone Academy Milton
(Program of Capstone Adaptive Learning and Therapy Centers, Inc.)
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2018

Note 5—Related Party Transactions (continued)

Capstone provides support to the School by sponsoring special events and receiving contributions and designating the proceeds for the School. For the period ended June 30, 2018, support from Capstone totaled \$65,396.

Note 6—Retirement Plans

School personnel participate in a retirement plan established by Capstone. Capstone offers a 401K plan with a 100% matching contribution up to the first 3% of compensation, and 50% for that portion of compensation over the 3% up to 5%. Participants in the 401K are 100% vested immediately. The expense recorded for the year ended June 30, 2018, was \$3,286.

Note 7—Natural Classification of Expenditures

Expenditures by natural expense classification for the period ended June 30, 2018, are as follows:

Salaries and related costs	\$ 454,742
Land and building rent expense	42,000
School supplies	8,444
Administrative fee to School District	3,196
Management fees	4,800
Depreciation	18,273
Utilities and telephone	27,724
Audit fees	4,000
Transportation costs	384
Repairs and maintenance	7,485
Other	15,327
	<u>\$ 586,375</u>

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
Capstone Adaptive Learning and Therapy Centers, Inc.
Capstone Academy Milton
Pensacola, 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 Capstone Academy Milton (Program of Capstone Adaptive Learning and Therapy Centers, Inc.) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 7, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capstone Academy Milton'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Capstone Academy Milton's internal control. Accordingly, we do not express an opinion on the effectiveness of Capstone Academy Milton'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.

To The Board of Directors
Capstone Adaptive Learning and Therapy Centers, Inc.
Capstone Academy Milton
Pensacola, Florida

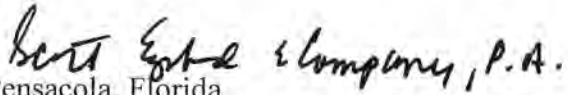
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Capstone Academy Milton'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Pensacola, Florida
August 7, 2018

Independent Auditor's Management Letter

To The Board of Directors
Capstone Adaptive Learning and Therapy Centers, Inc.
Capstone Academy Milton
Pensacola, Florida

Report on the Financial Statements

We have audited the financial statements of Capstone Academy Milton (Program of Capstone Adaptive Learning and Therapy Centers, Inc.) (a nonprofit organization) as of and for the year ended June 30, 2018, and have issued our report thereon dated August 7, 2018.

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 Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated August 7, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or 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 entity is Capstone Academy Milton.

*To The Board of Directors
Capstone Adaptive Learning and Therapy Centers, Inc.
Capstone Academy Milton
Pensacola, Florida*

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Capstone Academy Milton 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 Capstone Academy Milton 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 Capstone Academy Milton. It is management's responsibility to monitor Capstone Academy Milton'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 communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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 Capstone Academy Milton maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Capstone Academy Milton 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

*To The Board of Directors
Capstone Adaptive Learning and Therapy Centers, Inc.
Capstone Academy Milton
Pensacola, Florida*

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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the Santa Rosa County School District, and is not intended to be and should not be used by anyone other than these specified parties.

Scott Estate & Company, P.A.
Pensacola, Florida
August 7, 2018