

Capstone Academy Milton
(Program of United Cerebral Palsy of Northwest Florida, Inc.)
(A Nonprofit Organization)
Financial Statements
June 30, 2012

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Independent Auditor's Report

To The Board of Directors
United Cerebral Palsy of Northwest Florida, Inc.
Capstone Academy Milton
Pensacola, Florida

We have audited the accompanying statement of financial position of Capstone Academy Milton, (Program of United Cerebral Palsy of Northwest Florida, Inc.) (a nonprofit organization) as of June 30, 2012, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capstone Academy Milton as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2012, on our consideration of Capstone Academy Milton's internal control over financial reporting and our tests of 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* and should be considered in assessing the results of our audit.

Sumlin Egstad & Company, LLP
August 13, 2012
Pensacola, Florida

Capstone Academy Milton
(Program of United Cerebral Palsy of Northwest Florida, Inc.)
(A Nonprofit Organization)
Statement of Financial Position
June 30, 2012

<u>Assets</u>	
Receivables	\$ 21,517
Property and Equipment:	
School equipment	\$ 211,296
Less accumulated depreciation	<u>(45,498)</u>
Net Property and Equipment	<u>165,798</u>
Total Assets	<u>\$ 187,315</u>

<u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable	\$ 3,199
Due to Capstone Pensacola	54,309
Accrued compensated absences	<u>4,477</u>
Total Liabilities	<u>61,985</u>
Net Assets:	
Unrestricted	<u>125,330</u>
Total Liabilities and Net Assets	<u>\$ 187,315</u>

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

Capstone Academy Milton
(Program of United Cerebral Palsy of Northwest Florida, Inc.)
(A Nonprofit Organization)
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2012

Unrestricted:

Revenues:

Florida Education Finance Program	\$ 310,142
Federal implementation grant	155,050
Voluntary Prekindergarten Program	64,564
Therapy income	48,838
After-school tuition and fees	45,956
Contributions	<u>4,377</u>
Total Unrestricted Revenues	<u>628,927</u>

Expenditures:

Instruction and support	437,983
Board	100
General administration	20,307
School administration	90,411
Fiscal services	8,087
Food services	876
Central services	2,300
Pupil transportation	9,143
Operation of plant	18,451
Maintenance of plant	615
Depreciation	<u>24,094</u>
Total Expenditures	<u>612,367</u>

Increase in Unrestricted Net Assets	16,560
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Net Assets—Beginning of Period	<u>108,770</u>
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Net Assets—End of Period	<u><u>\$ 125,330</u></u>
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*The accompanying notes are an integral
part of these financial statements.*

Capstone Academy Milton
(Program of United Cerebral Palsy of Northwest Florida, Inc.)
(A Nonprofit Organization)
Statement of Cash Flows
For the Year Ended June 30, 2012

Cash Flows From Operating Activities:

Increase in net assets	\$ 16,560
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities—	
Depreciation	24,094
Changes in—	
Receivables	(10,592)
Accounts payable	(10,254)
Accrued compensated absences	1,363

Net Cash Provided by Operating Activities	21,171
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Cash Flows from Investing Activities:

Purchases of property and equipment	(46,145)
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Net Cash Used by Investing Activities	(46,145)
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Cash Flows From Financing Activities:

Advances from Capstone Pensacola	24,974
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Net Cash Provided by Investing Activities	24,974
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Increase in Cash	-
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Cash—Beginning of Period	-
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Cash—End of Period	\$ -
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*The accompanying notes are an integral
part of these financial statements.*

Capstone Academy Milton
(Program of United Cerebral Palsy of Northwest Florida, Inc.)
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2012

Note 1—Summary of Significant Accounting Policies

Organization and Purpose

Capstone Academy Milton (the “School”) was organized as a limited liability company, Capstone Academy, LLC, on August 27, 2004, by its managing member, United Cerebral Palsy of Northwest Florida, Inc., (UCP) 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, and its contract is with the School Board of Santa Rosa County, Florida (the “Board”). The School further provides a Voluntary Prekindergarten Program for four-year-old children in the community, after-school care and therapy services. The School’s other financial support is obtained from grants, contributions from individuals, special fundraising events organized by its managing member and transfers from its managing member.

Basis of Presentation

The accompanying special purpose financial statements of Capstone Academy Milton are prepared pursuant to the rules of the Florida Auditor General and are a component part of United Cerebral Palsy of Northwest Florida, Inc. The land, building and substantially all of the operating equipment acquired by UCP for the School are not included in the accompanying financial statements.

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 is no cash or cash equivalents at June 30, 2012, as cash transactions are reflected in the Due to Capstone Pensacola account (see Note 3).

Capstone Academy Milton
(Program of United Cerebral Palsy of Northwest Florida, Inc.)
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2012

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

Capstone Academy Milton 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, 2012.

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.

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.

Capstone Academy Milton
(Program of United Cerebral Palsy of Northwest Florida, Inc.)
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2012

Note 1—Summary of Significant Accounting Policies (continued)

Income Taxes

Capstone Academy Milton 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 transaction that occurred between June 30, 2012, and August 13, 2012, 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 consists 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 uncollectible accounts has been established.

Note 3—Due to Capstone Pensacola

The Pensacola charter school in Escambia County, Florida, has been in operation since 2004. The balance in this account represents advances received from Pensacola for Milton's operations and is expected to be repaid in future operating periods.

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.

Capstone Academy Milton
(Program of United Cerebral Palsy of Northwest Florida, Inc.)
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Notes to Financial Statements
June 30, 2012

Note 4—Florida Education Finance Program (continued)

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 on the FEFP revenues. For the period ended June 30, 2012, administrative fees paid the District included in the statements of activities under general administration expenses totaled \$15,507.

Note 5—Related Party Transactions

The School is managed and operated by United Cerebral Palsy of Northwest Florida, Inc., a nonprofit organization originally organized in 1953. The mission of United Cerebral Palsy of Northwest Florida, Inc., (UCP) is to enhance the quality of life for infants, children, youth and adults of all abilities and encourage acceptance and inclusion within our communities.

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

UCP owns the land and building and leases them to the School at a monthly cost of \$2,600. For the period ended June 30, 2012, total rent expense for the facilities included in the statement of activities under instruction and support expenditures totaled \$31,200.

UCP further provides management services to the School under an agreement which provides for a monthly fee of \$400. For the period ended June 30, 2012, fees for the management services included in the statement of activities under general administration expenditures totaled \$4,800.

UCP 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, 2012, support from UCP from special events and contributions totaled \$4,377.

Capstone Academy Milton
(Program of United Cerebral Palsy of Northwest Florida, Inc.)
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Notes to Financial Statements
June 30, 2012

Note 6—Retirement Plans

School personnel participate in a retirement plan established by UCP. UCP 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, 2012, was \$1,056.

Note 7—Natural Classification of Expenditures

Expenditures by natural expense classification for the period ended June 30, 2012, are as follows:

Salaries and related costs	\$ 395,564
Land and building rent expense	31,200
School supplies	86,880
Administrative fee to School District	15,507
Management fees	4,800
Depreciation	24,094
Utilities and telephone	16,255
Audit fees	8,000
Transportation costs	7,297
Repairs and maintenance	4,658
Advertising	8,039
Other	<u>10,073</u>
	<u>\$ 612,367</u>

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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
United Cerebral Palsy of Northwest Florida, Inc.
Capstone Academy Milton
Pensacola, Florida

We have audited the financial statements of Capstone Academy Milton (Program of United Cerebral Palsy of Northwest Florida, Inc.) (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 13, 2012. 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

Management of Capstone Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Capstone Academy Milton's internal control over financial reporting as a basis for designing our auditing procedures 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 Capstone Academy Milton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capstone Academy Milton'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*.

This report is intended solely for the information and use of the Board of Directors, applicable management, applicable state agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sumali Eghed & Company, LLP
Pensacola, Florida
August 13, 2012

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Independent Auditor's Management Letter

To The Board of Directors
United Cerebral Palsy of Northwest Florida, Inc.
Capstone Academy Milton
Pensacola, Florida

We have audited the financial statements of Capstone Academy Milton (Program of United Cerebral Palsy of Northwest Florida, Inc.) (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 13, 2012.

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. 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* dated August 13, 2012. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter schools and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

Section 10.854(1)(e)1, Rules of the Auditor General, require 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 was no preceding annual financial audit report.

Section 10.854(1)(e)3, Rules of the Auditor General, require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4, Rules of the Auditor General, require that we address violation of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5, Rules of the Auditor General, provide 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 provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal controls that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)6, Rules of the Auditor General, require the name or official title of the school. The official title of the school is Capstone Academy Milton.

Section 10.854(1)(e)2, Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that 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)7.a and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America, require us to indicate that this letter is intended solely for the information and use of the Board of Directors, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Summi Egbert & Company, LLP

Pensacola, Florida

August 13, 2012

