

# Capital Trust Agency, Inc.

## Meeting of the Board of Directors

As Manager of CTA CDE, LLC and CTA CDE – Sub  
1,2,3,4,5

Monday, October 18, 2021

8:00AM.

315 Fairpoint Drive  
Gulf Breeze, FL 32561

Meeting called by: Denis A. McKinnon, III

Type of meeting: Regular

Facilitator: Burt Snooks  
Chairman

Note Taker: Connie Presnell  
Office Administrator

Attendees: Burt Snooks (Chairman), Gary Michaels (Vice Chairman), Bob Cleveland (Secretary), Chris Kemp (Asst. Secretary), Deborah Roche (Board Member), Tom Naile (Councilman), Kareem Spratling (Bond Counsel), Michael Stebbins (Counsel), Samantha Abell (City Manager), and Denis McKinnon (Executive Director).

Please bring: Attached supplements

## Agenda

<u>Item:</u>	<u>Description:</u>	<u>Presenter:</u>
1.	Call to Order	Burt Snooks
2.	Approval of Minutes: 9-30-21	Denis McKinnon, III
3.	Inducement Resolution #21-21 – Tallahassee Classical School	Denis McKinnon, III
4.	Bryant Miller Olive Conflict Waiver Request – Tallahassee Classical	Denis McKinnon, III
5.	Inducement Resolution #22-21 – Imagine Charter School West Melbourne	Denis McKinnon, III
6.	Inducement Resolution #23-21 – Kingdom Development (WPB Portfolio)	Denis McKinnon, III
7.	Inducement Resolution #24-21 – Kingdom Development (Kensington Villas)	Denis McKinnon, III
8.	Inducement Resolution #25-21 – SHI Lake Osborne	Denis McKinnon, III
9.	Award Resolution #26-21 – Marie Selby Botanical Gardens	Denis McKinnon, III
10.	Award Resolution #27-21 – New Springs Schools	Denis McKinnon, III
11.	Award Resolution #38-21 – Imagine Charter School North Manatee	Denis McKinnon, III
12.	Award Resolution #29-21 – Legends Academy	Denis McKinnon, III
13.	Charitable Giving	Denis McKinnon, III
14.	Adjourn	Burt Snooks



**MINUTES OF THE  
CAPITAL TRUST AGENCY, INC.**

The 216th meeting of the Capital Trust Agency, Inc., Gulf Breeze, Florida, was held at the Capital Trust Agency office at 315 Fairpoint Drive, Gulf Breeze, Florida and on Thursday, September 30, 2021 at 8:00 a.m.

The following Board Members were present: Burt Snooks (Chairman), Gary Michaels (Vice-Chairman), Bob Cleveland (Secretary), and Tom Naile (Board Member). Also attending was Denis McKinnon (Executive Director), Michael Stebbins (Counsel) and. Attending via Zoom conference was Kareem Spratling (Bond Counsel) and via telephone: Phil Guistolise (Trinity Partners). Special guest present was Guy Burgoon (Emerging Markets Group).

**AGENDA ITEM:**

Approval of Minutes: 9/20/2021

**DISCUSSION:**

Bob Cleveland requested the motion for Agenda Item: Antares of Ormond Beach – Bond Counsel Fee be re-stated as No Action Taken in place of No Action Required as the board was not asked or required to take action.

**MOTION/ACTION:**

**Tom Naile made a motion to approve the minutes of the 9/20/2021 meeting with a correction to the motion for the Antares of Ormond Beach agenda item to read: No Action Taken. Bob Cleveland seconded the motion. Vote for approval was 4-0.**

**AGENDA ITEM:**

Officer Elections for FYE 9/30/2022

**DISCUSSION:**

Denis stated the end of the fiscal year marks the time frame for CTA's annual officer election selections and is requesting nominations or a motion to keep the current officers in place for fiscal year ending 9/30/2022. Current officers include: Burt Snooks (Chairman), Gary Michaels (Vice-Chairman), Bob Cleveland (Secretary), and Chris Kemp (Assistant Secretary).

**MOTION/ACTION:**

**Tom Naile made a motion to approve the current officers for the next fiscal year ending 9/30/2022. Bob Cleveland seconded the motion. Vote for approval was 4-0.**



**AGENDA ITEM:**

Inducement Resolution 18-21 – Legends Academy

**DISCUSSION:**

Legends Academy is an existing charter school founded in 2001 and located in Orlando's Urban Core. Legends Academy is a STEM school serving students in grades K-8.

Denis McKinnon handed out the 6/30/2021 financial statements for immediate review. Denis stated that he would get the final debt service coverage information prior to the final resolution.

Bob Cleveland asked for clarification of the pension fund. Kareem Spratling stated charter schools are eligible for state funded pension plans and would follow up on this question in order to provide additional information on the school's pension plan.

Gray Michaels asked for clarification of the 2021 audit as compared to the 2020 audit showing different numbers for 2020. Denis stated he would follow up during final approval.

Bob Cleveland asked for background information showing the school's ability to substantiate additional debt. Bob Cleveland also asked about growth projections for the school. Denis stated he would follow up during final approval.

**MOTION/ACTION:**

**Bob Cleveland made a motion to approve Resolution #18-21 as presented. Tom Naile seconded the motion. Vote for approval was 4-0.**

**AGENDA ITEM:**

Inducement Resolution 19-21 – Imagine Schools at North Manatee

**DISCUSSION:**

Imagine School at North Manatee, located in Palmetto, Florida, has requested a second financing for the purpose of constructing a 20,000 square foot gym, 8 additional classrooms, and installation of an artificial turf football/soccer field.

Denis McKinnon stated that the first issue closed in June of this year and although it would have been cheaper to wrap all under one issue, the school's financial advisors were not ready and wanted to be in a better financial position before taking on the additional financing. Denis stated that



the current year income statement shows a loss due to the rent and debt service, however, next year the \$1.1 million lease will be gone.

**MOTION/ACTION:**

**Bob Cleveland made a motion to approve Resolution # 19-21 as presented. Gary Michaels seconded the motion. Vote for approval was 4-0.**

**AGENDA ITEM:**

Award Resolution 20-21 – College Park

**DISCUSSION:**

College Park Towers is an affordable housing facility dedicated to senior citizens in the Miami-Dade area. The purpose of this financing is to acquire and rehab the 210-unit complex.

Denis McKinnon stated that this will be a two-year financing and Moody's will provide a aaa rating for the bonds. Additionally, after two years, an FHA loan will be used to refinance the outstanding bonds.

Phil Guistolise (Trinity Partners) stated this will be the third time we have worked with the Sturges Company as underwriter for this type of financing.

Bob Cleveland asked if it is normal and customary to have a not-for-profit buyer with less than 1% ownership and a limited partner with 99.99% ownership. Phil stated that this is normal and within the LIHTC guidelines. Kareem Spratling stated that CTA will receive a legal opinion and bond validation on the bonds.

Phil Guistolise explained the limited partner in this case is Wells Fargo Bank and they are motivated by the 4% tax credits that are paid out over 10 years, the CRA credits, and the depreciation. The developer in these projects sign a note for a maximum 18% development fee and sign a guarantee of no default in the first 15 years of the project. The FHA loan is also a guarantee of no default. Phil further stated that in this case, there is a special need as it is located in a Qualified Census Tract location and qualifies the project to receive an additional credit of 130% annually.

Kareem Spratling stated he has a LIHTC workbook that he will share with the group to explain the structure of the transaction.

Denis McKinnon stated the CTA origination and issuer fees have been adjusted according to the short term of the bonds.

**MOTION/ACTION:**





**Gary Michaels made a motion to approve Resolution #20-21 as presented. Tom Naile seconded the motion. Vote for approval was 4-0.**

**AGENDA ITEM:**

Homeownership Initiative – Guy Burgoon (Emerging Markets Group)

**DISCUSSION:**

Denis McKinnon introduced and welcomed Guy Burgoon from Emerging Markets Group. Denis provided an overview of the homeownership and down payment assistance program developed by Guy Burgoon and presented to the CTA board for further development consideration. Denis stated the goal today is to determine if the board would like to pursue this program and to authorize the development of the program. At this time, there is no monetary request being made to the board for consideration.

Gary Michaels asked where the modular homes are built. Guy Burgoon replied that they are built by Deer Valley Homes out of Birmingham, Alabama. Gary Michaels also requested resumes of the various program partners.

Bob Cleveland asked where the vacant lots are located in New Orleans and are we worried about flood zones.

Samantha Abell stated pursuing this program has low monetary risk to build out more details and if it exceeds reasonable projections, then ok to fold. Samantha further suggested a pilot year with a slow start up to gauge the success of the program.

Bob Cleveland asked about development costs from the captive insurance company. Guy Burgoon stated the captive is fine with starting small and administrative fees will be paid through the program.

**MOTION/ACTION:**

**Tom Naile made a motion to proceed with the discovery phase of the homeownership program and report back to the board with project partners in place, prior to any expenditures at this time. Bob Cleveland seconded the motion. Vote for approval was 4-0.**

No other formal business of the board was taken and the meeting adjourned at approximately 9:10 pm.



Minutes submitted by: \_\_\_\_\_ Connie Beargie, Office Administrator

Approved by: \_\_\_\_\_ Burt Snooks, Chairman



To: CTA Board of Directors

From: Denis McKinnon, III

RE: Tallahassee Classical School, Inc. Inducement Resolution 21-21

The following memo, application, and resolution relate to Tallahassee Classical School's application for not to exceed \$16,500,000 for the refinancing of a \$13,000,000 construction loan and the acquisition of 2 adjacent parcels of land. Additionally, bond proceeds will be utilized to finance a debt service reserve fund and a capitalized interest fund.

Tallahassee Classical first opened its doors in the 2020-21 school year. During the initial marketing period for the first year, the school's permanent facility was not yet open. Later in 2020, the facility opened to grades K-8 serving approximately 349 students in the 2020-21 school year. According to the school's financial advisor, Hamlin Advisors, Tallahassee Classical now has 553 students in grades K-9. When asked what drove the school's enrollment numbers to increase year over year, the school stated the permanent facility drove families to enroll.

The construction of the facility was financed with a construction loan. The amount outstanding is approximately \$13,000,000 and carries a 6.5% interest rate. Proceeds of the bonds will be used to refinance the existing loan and the application's initial sources and uses shows an approximate 4.59% True Interest Cost for the bond debt.

Tallahassee Classical's charter allows for 750 students in grades K-12. The school anticipates opening a new grade each year; and, to have total enrollment of 750 by the 2024-25 school year. The school's current waitlist has 39 students. According to the Hamlin, approximately 35% of students qualify for the free and reduced lunch program.

Tallahassee Classical will be seeking final approval to issue bonds by year end.

Kareem Spratling of Bryant Miller Olive will serve as Bond Counsel and as Borrower's Counsel on the transaction. As such, Mr. Spratling has requested a conflict waiver request from the CTA Board to be considered at Inducement. RBC Capital Markets will serve as Underwriter on the transaction.

CTA staff respectfully requests adoption of Inducement Resolution 21-21 for Tallahassee Classical School, Inc.



# Bryant Miller Olive

**Attorneys at Law**  
One Tampa City Center  
Suite 2700  
Tampa, FL 33602  
Tel 813.273.6677  
Fax 813.223.2705  
[www.bmolaw.com](http://www.bmolaw.com)

October 12, 2021

Mr. Denis A. McKinnon, III  
Executive Director  
Capital Trust Agency  
315 Fairpoint Drive  
Gulf Breeze, Florida 32561

Re: Capital Trust Agency Educational Facilities Revenue Bonds (Tallahassee Classical School Inc. Project), Series 2021 (collectively, the "Bonds")

Dear Mr. McKinnon:

I am writing to disclose certain information and to request the consent of the Capital Trust Agency (the "CTA") to the provision of legal services by Bryant Miller Olive P.A. (the "Firm") for the Firm to serve as bond counsel, borrower's counsel, special real estate counsel and title agent to Tallahassee Classical School Inc., a Florida not for profit corporation (the "Company"), in connection with the potential issuance of the above-captioned Bonds by the CTA. The Firm is pleased to serve as CTA's bond counsel and special counsel on an ongoing basis. Additionally, the Firm may provide or seek to provide other legal services to the CTA in the future.

The Rules Regulating The Florida Bar prohibit a lawyer or law firm from representing a client if there is a substantial risk that the representation of one or more clients will be materially limited by the lawyer's or firm's responsibilities to another client, a former client, or a third person. Such a conflict of interest may be waived by the client if the lawyer or firm reasonably believes it can provide competent and diligent representation and each affected client gives fully informed consent, confirmed in writing. The risk entailed to the client is that the lawyer may be influenced, consciously or unconsciously, to favor the other client by virtue of that relationship.

In this case, as is customary in conduit bond issues, all parties to the transaction understand that the CTA will not be liable to make any payments with respect to the Bonds, except from moneys provided by the Company. In addition, all parties to the transaction agree that CTA presents the best choice for an issuer of the Bonds and desire that CTA's policies and procedures be properly incorporated into the transaction so that the transaction is duly authorized by the CTA. Moreover, notwithstanding which client the Firm represents, the Firm





Mr. McKinnon  
Executive Director  
Capital Trust Agency  
October 12, 2021  
Page 2

is obligated to provide unbiased legal opinions. Nevertheless, I have disclosed this Firm's ongoing relationship with the CTA to the Company and have obtained the consent of the Company to the Firm's service as bond counsel, borrower's counsel, special real estate counsel and title agent on the transaction, irrespective of the Firm's relationship with CTA.

Our reasonable belief is that our other, unrelated representations of the CTA will not prevent the Firm from rendering competent, diligent, and unbiased services as bond counsel, borrower's counsel, special real estate counsel and title agent to the Company in this matter. However, as stated above, the Firm feels it is prudent and right to disclose the Firm's relationship with the CTA, to disclose the Firm's representation of the Company to the CTA, and to obtain consent from the Company and the CTA.

Accordingly, we respectfully request that you present this request to the CTA's Board of Directors for consideration. If the CTA's Board of Directors consents to the waiver of our conflict, we further respectfully request you sign below, thereby indicating CTA's fully informed consent to our Firm acting as bond counsel, borrower's counsel, special real estate counsel and title agent with respect to the issuance of the Bonds. Thank you for your consideration.

Sincerely,



Kareem J. Spratling  
Shareholder

CAPITAL TRUST AGENCY

By: \_\_\_\_\_

Name: Denis A. McKinnon, III

Date: October \_\_, 2021

CC: Michael J. Stebbins, Esq.



To: CTA Board of Directors

From: Denis McKinnon, III

RE: Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne Inducement Resolution 22-21

The following memo, application, and resolution relate to Imagine Schools at West Melbourne's application for not to exceed \$XX for the acquisition of currently leased facilities.

Milestones was originally formed in 1998 in order to own and operate a charter school in Brevard County, FL. In 2002, Imagine Schools at West Melbourne acquired Milestones and now operates the charter school. The facility, now leased by Imagine, was constructed specifically for the school. The facility consists of a single-story building with 54,707 SF and sits on 10 acres of land. Imagine and a voluntary pre-kindergarten both lease space in the facility. The school's total capacity is 850 students.

Imagine presently serves students in grades K-6 and the school's charter allows an increase to grades K-8. Today, Imagine's student enrollment is 540 students, an increase over the enrollment of 501 during the 2020-21 school year.

Imagine is a Title I School, meaning a majority of the students qualify as lower socioeconomic students. The State and Federal Government provide additional funding.

The school grades are included below:

2014-15	2015-16	2016-17	2018-19	2019-20
F	D	C	C	B

As you can see from the chart, Imagine has increased its scores from an F in 2014-15 to a B in 2019-20. Due to the pandemic, the State did not require testing in 2020-21.

The facility to be purchased through the proceeds of the tax exempt bonds is owned by Rosemawr, who is also the Investor in the transaction. The transaction is structured to be a private placement with Rosemawr, a hedge fund operator who purchases many CTA bonds issued on behalf of charter schools.

The school has hired a sophisticated municipal advisor, Ford & Associates who has indicated the lease payments on the facility are such that the school will no longer be able to afford them without purchasing the facility.

CTA staff respectfully submits Inducement Resolution 22-21 for Imagine Schools at West Melbourne for consideration on 10/18.



**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS  
AT WEST MELBOURNE**

A Charter School and Component Unit of the  
District School Board of Brevard County, Florida

INDEPENDENT AUDITOR'S REPORT

*for the fiscal year ended JUNE 30, 2019*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

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**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

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2803 W. Busch Blvd Ste 106  
Tampa, FL 33618  
office (813) 892-4274 fax (813) 932-1913  
www.KingandWalker.com

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### Independent Auditor's Report

To the Board of Directors of Milestones Community School, Inc.  
d/b/a Imagine Schools at West Melbourne  
a Charter School and Component Unit of the District  
School Board of Brevard County, Florida

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School"), a charter school and component unit of the District School Board of Brevard County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 School'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 School'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.



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne, as of June 30, 2019, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and the Note to Supplementary Information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019 on our consideration of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne 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 Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne internal control over financial reporting and compliance.

Respectfully submitted,



September 6, 2019  
Tampa, Florida

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2019.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements, as shown in the table of contents.

**FINANCIAL HIGHLIGHTS**

- The School reported an Unrestricted Net Position balance of \$15,505, as shown on the Statement of Net Position.
- For the fiscal year ended June 30, 2019, the School's revenue exceeded expenses by \$1 as shown on the School's Statement of Activities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

**Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of Net Position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of Net Position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the Net Position, is a measure of the financial health of the School.

The statement of activities presents information about the change in the School's Net Position and the results of operations, during the fiscal year. An increase or decrease in Net Position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

---

**Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates three funds; a General Fund, a Special Revenue Fund, and a Capital Projects Fund. The School has elected to show each fund as a major fund.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and Major Special Revenue Fund to demonstrate compliance with the budget.

**Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**MILESTONES COMMUNITY SCHOOL, INC.**  
**D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**  
A Charter School and Component Unit of the District School Board of Brevard County, Florida  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of the School's current year and prior year net position:

	<b>Net Position, End of Year</b>		
	<u>Governmental Activities</u>		
	<u>6-30-18</u>	<u>6-30-19</u>	<u>Increase (Decrease)</u>
<b>ASSETS</b>			
Current and Other Assets	\$ 289,859	\$ 345,955	\$ 56,096
Capital Assets, net	<u>107,542</u>	<u>97,178</u>	<u>(10,364)</u>
Total Assets	<u>397,401</u>	<u>443,133</u>	<u>45,732</u>
<b>LIABILITIES</b>			
Current Liabilities	<u>113,174</u>	<u>158,905</u>	<u>45,731</u>
Total Liabilities	<u>113,174</u>	<u>158,905</u>	<u>45,731</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	107,542	97,178	(10,364)
Restricted	171,399	171,545	146
Unrestricted	<u>5,286</u>	<u>15,505</u>	<u>10,219</u>
Total Net Position	<u>\$ 284,227</u>	<u>\$ 284,228</u>	<u>\$ 1</u>

Current assets consist primarily of cash and cash equivalents, amounts due from other agency, and a net due to/from management company. The School's investment in capital assets consist of furniture, fixtures and equipment, leasehold improvements, audio visual equipment, and vehicles, net of depreciation. Liabilities are comprised primarily of salaries and benefits payable and accounts payable and accrued expenses.

Total Net Position amounted to \$284,228 as of June 30, 2019, representing an increase of \$1 over the prior fiscal year.

**MILESTONES COMMUNITY SCHOOL, INC.**  
**D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**  
A Charter School and Component Unit of the District School Board of Brevard County, Florida  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

The following is a summary of the School's net position for the current year and prior year:

**Operating Results for the Year**

	Governmental Activities		
	6-30-18	6-30-19	Increase (Decrease)
<b>Revenues:</b>			
Federal Through State and Local	\$ 598,833	\$ 631,825	\$ 32,992
State Sources	3,182,240	3,687,398	505,158
Local and Other	357,367	230,659	(126,708)
Contributions	1,424,303	1,192,157	(232,146)
<b>Total Revenues</b>	<b>5,562,743</b>	<b>5,742,039</b>	<b>179,296</b>
<b>Expenses:</b>			
Instruction	2,017,870	1,979,234	(38,636)
Pupil Personnel Services	92	15,099	15,007
Instructional Media		22,977	22,977
Board of Education	37,369	40,477	3,108
School Administration	947,031	1,021,681	74,650
Food Services	294,396	333,780	39,384
Central Services	83	3,239	3,156
Pupil Transportation	242,470	198,373	(44,097)
Operation of Plant	1,776,070	1,870,563	94,493
Maintenance of Plant	131,075	130,029	(1,046)
Community Service	42,556	92,695	50,139
Unallocated Depreciation		33,891	33,891
<b>Total Expenses</b>	<b>5,489,012</b>	<b>5,742,038</b>	<b>253,026</b>
<b>Increase in Net Position</b>	<b>\$ 73,731</b>	<b>\$ 1</b>	<b>\$ (73,730)</b>

The largest revenue source for the School is the State of Florida (64%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School.

The largest concentrations of expenses during the year were for instruction (34%) and consists primarily of teachers' salaries. The School's expense categories experienced increases and decreases between fiscal years due to general economic conditions and the financial needs of the school.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

**Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$187,050.

**BUDGETARY HIGHLIGHTS**

The general fund and special revenue fund budget for the fiscal year ended June 30, 2019, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund and special revenue fund budget several times. Refer to the Budgetary Comparison Schedule for additional information.

**CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$97,178 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, leasehold improvements, audio visual equipment, and vehicles. Additional information regarding the School's capital assets is presented in a subsequent note to the financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Principal, Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne 3355 Imagine Way, West Melbourne, FL 32904.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
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DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

*June 30, 2019*

		Governmental Activities
<b>ASSETS</b>		
Cash & Cash Equivalents	\$	185,887
Due From Other Agency		107,797
Net Due to/from Management Company		32,268
Prepaid Items		14,074
Accounts Receivable		4,499
Deposits		1,430
Capital Assets:		
Furniture, Fixtures, and Equipment, Net		49,964
Vehicles, Net		37,934
Audio Visual Equipment		5,367
Leasehold Improvements, Net		3,913
Total Capital Assets, Net		97,178
<b>TOTAL ASSETS</b>		<b>443,133</b>
<b>LIABILITIES</b>		
Salaries and Benefits Payable		121,486
Accounts Payable & Accrued Expenses		35,168
Unearned Revenue		2,251
<b>TOTAL LIABILITIES</b>		<b>158,905</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		97,178
Restricted for Food Service		171,545
Unrestricted		15,505
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>284,228</b>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
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**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2019**

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 1,979,234	\$ -	\$ 297,899	\$ -	\$ (1,681,335)
Pupil Personnel Services	15,099				(15,099)
Instructional Media	22,977				(22,977)
Board of Education	40,477				(40,477)
School Administration	1,021,681				(1,021,681)
Food Services	333,780		333,926		146
Central Services	3,239				(3,239)
Pupil Transportation	198,373				(198,373)
Operation of Plant	1,870,563	16,800		264,815	(1,588,948)
Maintenance of Plant	130,029				(130,029)
Community Service	92,695	126,101			33,406
Unallocated Depreciation	33,891				(33,891)
Total Governmental Activities	<u>\$ 5,742,038</u>	<u>\$ 142,901</u>	<u>\$ 631,825</u>	<u>\$ 264,815</u>	<u>\$ (4,702,497)</u>
General Revenues:					
State Sources					3,422,583
Local and Other					87,758
Contribution					1,192,157
Total General Revenues					<u>4,702,498</u>
Change in Net Position					1
Net Position - July 1, 2018					284,227
Net Position - June 30, 2019					<u>\$ 284,228</u>

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



**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
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**BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2019**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 89,868	\$ 96,019	\$ -	\$ 185,887
Due From Other Agency	10,256	75,526	22,015	107,797
Net Due to/from Management Company	32,268			32,268
Prepaid Items	14,074			14,074
Accounts Receivable	4,499			4,499
Deposits	1,430			1,430
Due From Other Funds	22,015			22,015
<b>Total Assets</b>	<b>\$ 174,410</b>	<b>\$ 171,545</b>	<b>\$ 22,015</b>	<b>\$ 367,970</b>
<b>LIABILITIES</b>				
Salaries and Benefits Payable	\$ 121,486	\$ -	\$ -	\$ 121,486
Accounts Payable & Accrued Expenses	35,168			35,168
Unearned Revenue	2,251			2,251
Due to Other Funds			22,015	22,015
<b>Total Liabilities</b>	<b>158,905</b>	<b>-</b>	<b>22,015</b>	<b>180,920</b>
<b>FUND BALANCES</b>				
Nonspendable	15,504			15,504
Restricted for Food Service		171,545		171,545
Unassigned	1			1
<b>Total Fund Balances</b>	<b>15,505</b>	<b>171,545</b>	<b>-</b>	<b>187,050</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 174,410</b>	<b>\$ 171,545</b>	<b>\$ 22,015</b>	<b>\$ 367,970</b>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

*June 30, 2019*

<b>Total Fund Balances - Governmental Funds</b>	\$ 187,050
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	<u>97,178</u>
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<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 284,228</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2019**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local	\$ -	\$ 631,825	\$ -	\$ 631,825
State Sources	3,422,583		264,815	3,687,398
Local and Other	230,659			230,659
Contributions	1,192,157			1,192,157
Total Revenues	<u>4,845,399</u>	<u>631,825</u>	<u>264,815</u>	<u>5,742,039</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	1,681,335	297,899		1,979,234
Pupil Personnel Services	15,099			15,099
Instructional Media	22,977			22,977
Board of Education	40,477			40,477
School Administration	1,021,681			1,021,681
Food Services		333,780		333,780
Central Services	3,239			3,239
Pupil Transportation	198,373			198,373
Operation of Plant	1,605,748		264,815	1,870,563
Maintenance of Plant	130,029			130,029
Community Service	92,695			92,695
Fixed Capital Outlay:				
Other Capital Outlay	23,527			23,527
Total Expenditures	<u>4,835,180</u>	<u>631,679</u>	<u>264,815</u>	<u>5,731,674</u>
Net Change in Fund Balances	10,219	146		10,365
Fund Balances, July 1, 2018	5,286	171,399	-	176,685
Fund Balances, June 30, 2019	<u>\$ 15,505</u>	<u>\$ 171,545</u>	<u>\$ -</u>	<u>\$ 187,050</u>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2019**

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	10,365
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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 estimated useful lives as depreciation expense. This is the amount of depreciation expense (\$33,891) in excess of capital outlays (\$23,527) in the current period.

(10,364)

<b>Change in Net Position - Governmental Activities</b>	\$	<u>1</u>
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The accompanying notes to the financial statements are an integral part of this statement.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, and the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three 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 Brevard County, Florida, ("District"). The current charter is effective until June 30, 2021, and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a division of the Charter holder, and a component unit of the District; 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 which should be reported within 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 provides 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.

➤ **Basis of Presentation**

**Government-wide Financial Statements:** Government-wide financial statements, including the statement of Net Position and the statement of activities, present information about the School as a whole. Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

**MILESTONES COMMUNITY SCHOOL, INC.  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliations are presented with each of the governmental fund financial statements.

The School considers all of its funds as major governmental funds:

- General Fund: to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund: to account for certain Federal grant program resources and the School's food services.
- Capital Projects Fund: to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, 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 prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is

**MILESTONES COMMUNITY SCHOOL, INC.**  
**D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

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.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of Net Position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	10 years
Furniture, Fixtures and Equipment	5 - 10 years
Leasehold Improvements	10 years
Vehicles	3 - 7 years
Computer Software	3 - 7 years
Audio Visual Equipment	3 - 7 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **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(s) 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

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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

(revenue) until then. The School does not have any items that qualify for reporting in this category.

➤ **Net Position and Fund Balance Classification**

*Government-wide Financial Statements*

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.



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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

➤ **Order of Fund Balance Spending Policy**

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under 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 (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 FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of (1) weighed FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the Legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2019, the School reported 434.82 unweighted FTE and 502.33 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to

**MILESTONES COMMUNITY SCHOOL, INC.  
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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for Weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections. The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available. A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of Net Position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

**MILESTONES COMMUNITY SCHOOL, INC.  
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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**2. CASH DEPOSITS**

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

**3. DUE FROM OTHER AGENCY**

Amounts Due from Other Agency included in the accompanying statement of Net Position and balance sheet – governmental funds consists primarily of amounts due from the Brevard County School Board for Title I funds and capital outlay funds. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$ 300,016	\$ 17,420	\$ -	\$ 317,436
Vehicles	41,646	6,107		47,753
Leasehold Improvements	4,995			4,995
Buildings & Fixed Equipment	2,225			2,225
Audio Visual Equipment	7,000			7,000
Computer Software	10,466			10,466
Total Capital Assets Being Depreciated	<u>366,348</u>	<u>23,527</u>	<u>-</u>	<u>389,875</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(244,625)	(22,847)		(267,472)
Vehicles	(1,388)	(8,431)		(9,819)
Leasehold Improvements	(83)	(999)		(1,082)
Buildings & Fixed Equipment	(2,011)	(214)		(2,225)
Audio Visual Equipment	(233)	(1,400)		(1,633)
Computer Software	(10,466)			(10,466)
Total Accumulated Depreciation	<u>(258,806)</u>	<u>(33,891)</u>	<u>-</u>	<u>(292,697)</u>
Governmental Activities Capital Assets, net	<u>\$ 107,542</u>	<u>\$ (10,364)</u>	<u>\$ -</u>	<u>\$ 97,178</u>

All depreciation expense was shown as unallocated on the Statement of Activities.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**5. INTERFUND RECEIVABLES/PAYABLES**

At June 30, 2019, the School's Capital Projects Fund owed the General Fund \$22,015 for facility rental expenditures awaiting reimbursement. These amounts are netted together and not reported in the statement of Net Position.

**6. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the School's State revenue:

Source	Amount
Florida Education Finance Program	\$ 1,960,200
Class Size Reduction	551,274
Charter School Capital Outlay	264,815
Discretionary Millage	180,181
Voluntary Pre-K	153,194
ESE Guaranteed Allocation	126,211
Supplementary Academic Instruction	120,037
Transportation	97,063
Discretionary Compression	46,039
Best and Brightest Teachers Program	39,256
Miscellaneous State	37,356
Instructional Materials	32,496
Safe Schools	24,244
Reading Allocation	18,984
Mental Health Assistance	10,230
Florida Teachers Classroom Supply	8,570
Digital Classrooms Allocation	8,462
Funding Compression	7,301
Discretionary Lottery	1,485
Total State Revenue	\$ 3,687,398

As provided in the charter school contract, the District has charged the School an administrative fee of available funds from the Florida Education Finance Program and categorical funding for which charter students may be eligible. The administrative fee for the fiscal year amounted to \$90,554.

**7. FUNDING AND CREDIT CONCENTRATIONS**

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**8. RELATED PARTY TRANSACTIONS**

a) **Management Service Contract:**

The School entered into an amended and restated service agreement with Imagine Schools, Inc. (the management company), effective January 26, 2006, and amended May 29, 2012. This agreement calls for an Indirect Cost Allocation, for performance of its responsibilities, equal to twelve percent (12%) of State revenue. The Indirect Cost Allocation shall be paid monthly in an amount equal to one-twelfth of the annual budgeted allocation. Current year Indirect Cost Allocation fees charged to operations totaled \$541,238.

In the event there are not sufficient funds to pay operating expenses, the operating company will provide Operating Advances to cover such shortfalls. The operating company shall be reimbursed for such advances on the first date of each month in which funds reside in the School's operating account for which not otherwise reserved by the operating budget.

If, at the end of a fiscal year, the School's defined fund balance, as determined prior to final completion of the School's annual audit, is not sufficiently positive, consistent with Section 218.503(1), F.S. (2011), and the fund balance requirements of the District School Board of Brevard County (the "Authorizer"), if any, to reimburse the management company for all Operating Advances made during such fiscal year, the management company shall forgive the amount of outstanding Operating Advances that will enable the Defined Fund Balance to reflect a net surplus as of the end of such fiscal year equal to at least one dollar (\$1.00) or, if greater, the fund balance required by the Authorizer, if any. In no event shall the management company be required to make any Operating Advances, which, if forgiven, may result in a cumulative Operating Advance forgiveness in excess of two million five hundred dollars (\$2,500,000).

The management company shall be entitled to payment of a fee for services, including for providing Operating Advances (the "Fund Balance Assistance Fee"), in any year in which (i) no amounts were required to be forgiven pursuant to the previous paragraph, and (ii) the Defined Fund Balance, after consideration of the repayments of all outstanding Operating Advances, exceeds the fund balance required by the Authorizer, if any. The Fund Balance Assistance Fee for such year shall equal the lesser of (x) the amount which, when recorded for such year would cause the Defined Fund Balance to equal at least one dollar (\$1.00) or, if greater, the Fund Balance required by the Authorizer, if any, and (y) 2% of State revenues. The Fund Balance Assistance fee shall be due and payable as of the 15<sup>th</sup> day of December following the fiscal year of such determination, to allow for time to complete the School's annual audit. "Defined Fund Balance" for purposes of this agreement, shall mean that portion of the School's fund balance not classified as restricted, committed, or nonspendable, as reported on the fund financial statements.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**b) Facilities Lease:**

On July 1, 2009, the School entered an operating sublease agreement with an affiliated entity of the Management Company for its facilities effective through the length of the School's charter. The lease calls for an annual base rent payable in advance in monthly installments. The base rent shall escalate annually on July 1 at a rate equal to the lesser of the overall Consumer Price Index for the immediate preceding calendar year. Total rent expense charged to operations for the year ended June 30, 2019 totaled \$1,616,709.

Fiscal Year Ending June 30:	Facilities
2020	\$ 1,649,043
2021	1,682,024
Total Minimum Payments	\$ 3,331,067

**c) Net Due to/from Management Company:**

The School has entered into multiple agreements with the management company as described in Note 8 of the financial statements. The ending balance of \$32,268 represents certain refunds and credits that will reduce needed payments in the future and is considered due from the management company, and consists of the following:

	Net due (to)/from management
Balance due (to)/from at July 1, 2018	\$ (468,004)
Payments	1,558,224
Invoiced	(2,358,366)
Reclass of receivable	108,257
Contribution from management company	1,192,157
Balance due (to)/from at June 30, 2019	\$ 32,268

**9. RETIREMENT PLAN**

The School participates in a 401(k) Retirement Savings Plan for employees. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. Contributions made by the School totaled \$45,112 for the year ended June 30, 2019. The School is currently making matching contributions up to 5% for participating employees. The rate of contribution is set annually by the Management Company.

**MILESTONES COMMUNITY SCHOOL, INC.**  
**D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**10. COMMITMENTS AND CONTINGENT LIABILITIES**

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 collectability of any related receivables at June 30, 2019, may be impaired.

In the opinion of the School, there are no significant liabilities relating 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.

**11. RISK MANAGEMENT PROGRAMS**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**12. 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.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF FLAGLER COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)  
For the Fiscal Year Ended June 30, 2019**

	General Fund				Major Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
Intergovernmental:								
Federal Through State and Local	\$ -	\$ -	\$ -	\$ -	\$ 729,575	\$ 631,825	\$ 631,825	\$ -
State Sources	3,430,359	3,422,583	3,422,583	-				
Local and Other	412,467	230,663	230,659	(4)				
Contributions	909,163	1,182,366	1,192,157	9,791				
<b>Total Revenues</b>	<b>4,751,989</b>	<b>4,835,612</b>	<b>4,845,399</b>	<b>9,787</b>	<b>729,575</b>	<b>631,825</b>	<b>631,825</b>	<b>-</b>
<b>Expenditures:</b>								
Current - Education:								
Instruction	1,702,112	1,681,335	1,681,335	-	348,540	297,899	297,899	-
Pupil Personnel Services	105,697	15,099	15,099	-				
Instructional Media		22,978	22,977	-				
Board of Education	40,440	40,477	40,477	-				
School Administration	1,028,247	1,021,771	1,021,681	90				
Food Services					381,993	333,780	333,780	-
Central Services	3,110	3,239	3,239	-				
Pupil Transportation	141,690	198,373	198,373	-				
Operation of Plant	1,545,361	1,605,748	1,605,748	-				
Maintenance of Plant	101,574	130,029	130,029	-				
Community Service	83,758	92,695	92,695	-				
Fixed Capital Outlay:								
Other Capital Outlay		23,868	23,527	341				
<b>Total Expenditures</b>	<b>4,751,989</b>	<b>4,835,612</b>	<b>4,835,180</b>	<b>432</b>	<b>730,533</b>	<b>631,679</b>	<b>631,679</b>	<b>-</b>
Net Change in Fund Balances			10,219	10,219	(958)	146	146	-
Fund Balances, July 1, 2018	5,286	5,286	5,286	-	171,399	171,399	171,399	-
<b>Fund Balances, June 30, 2019</b>	<b>\$ 5,286</b>	<b>\$ 5,286</b>	<b>\$ 15,505</b>	<b>\$ 10,219</b>	<b>\$ 170,441</b>	<b>\$ 171,545</b>	<b>\$ 171,545</b>	<b>\$ -</b>

See Independent Auditor's Report



**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2019**

**1. BUDGETARY BASIS OF 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 and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.



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2803 W. Busch Blvd Ste 106  
Tampa, FL 33618  
office (813) 892-4274 fax (813) 932-1913  
www.KingandWalker.com

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**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 of Milestones Community School, Inc.  
d/b/a Imagine Schools at West Melbourne  
a Charter School and Component Unit of the District  
School Board of Brevard County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School"), a charter school and component unit of the District School Board of Brevard County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 6, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

September 6, 2019  
Tampa, Florida



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2803 W. Busch Blvd Ste 106  
Tampa, FL 33618  
office (813) 892-4274 fax (813) 932-1913  
www.KingandWalker.com

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**Management Letter as Required by Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of the Milestones Community School, Inc.  
d/b/a Imagine Schools at West Melbourne  
a Charter School and Component Unit of the  
District School Board of Brevard County, Florida

**Report on the Financial Statements**

We have audited the financial statements of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne (“School”), a charter school and component unit of the District School Board of Brevard County, Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 6, 2019.

**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 the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 6, 2019, 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 prior audit findings or recommendations.

**Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Imagine Schools at West Melbourne, 056515.

### **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 the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and 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 the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

### **Additional Matters**

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

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

Respectfully submitted,



September 6, 2019  
Tampa, Florida



**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS  
AT WEST MELBOURNE**

A Charter School and Component Unit of the  
District School Board of Brevard County, Florida

INDEPENDENT AUDITOR'S REPORT

*for the fiscal year ended JUNE 30, 2020*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

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**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

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### **Independent Auditor's Report**

To the Board of Directors of Milestones Community School, Inc.  
d/b/a Imagine Schools at West Melbourne  
a Charter School and Component Unit of the District  
School Board of Brevard County, Florida

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School"), a charter school and component unit of the District School Board of Brevard County, Florida, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 School'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 School'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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne, as of June 30, 2020, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and the Note to Supplementary Information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020 on our consideration of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne 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 Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne internal control over financial reporting and compliance.

Respectfully submitted,



September 15, 2020  
Tampa, Florida

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2020.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements, as shown in the table of contents.

**FINANCIAL HIGHLIGHTS**

- The School reported an Unrestricted Net Position balance of \$1,431, as shown on the Statement of Net Position.
- For the fiscal year ended June 30, 2020, the School's expenses exceeded revenue by \$38,822, as shown on the School's Statement of Activities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

**Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of Net Position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of Net Position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the Net Position, is a measure of the financial health of the School.

The statement of activities presents information about the change in the School's Net Position and the results of operations, during the fiscal year. An increase or decrease in Net Position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

---

**Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates three funds; a General Fund, a Special Revenue Fund, and a Capital Projects Fund. The School has elected to show each fund as a major fund.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and Major Special Revenue Fund to demonstrate compliance with the budget.

**Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**MILESTONES COMMUNITY SCHOOL, INC.**  
**D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**  
A Charter School and Component Unit of the District School Board of Brevard County, Florida  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of the School's current year and prior year net position:

	<b>Net Position, End of Year</b>		
	<u>Governmental Activities</u>		
	<u>6-30-19</u>	<u>6-30-20</u>	<u>Increase (Decrease)</u>
<b>ASSETS</b>			
Current and Other Assets	\$ 345,955	\$ 358,042	\$ 12,087
Capital Assets, net	97,178	134,386	37,208
<b>Total Assets</b>	<u>443,133</u>	<u>492,428</u>	<u>49,295</u>
<b>LIABILITIES</b>			
Current Liabilities	158,905	247,022	88,117
<b>Total Liabilities</b>	<u>158,905</u>	<u>247,022</u>	<u>88,117</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	97,178	134,386	37,208
Restricted	171,545	109,589	(61,956)
Unrestricted	15,505	1,431	(14,074)
<b>Total Net Position</b>	<u>\$ 284,228</u>	<u>\$ 245,406</u>	<u>\$ (38,822)</u>

Current assets consist primarily of cash and cash equivalents and amounts due from other agency. The School's investment in capital assets consist of furniture, fixtures and equipment, leasehold improvements, audio visual equipment, and vehicles, net of accumulated depreciation. Liabilities consist primarily of accrued salaries and benefits payable and a net due to/from Management Company.

Total Net Position amounted to \$245,406 as of June 30, 2020, representing a decrease of \$38,822 from the prior fiscal year.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

The following is a summary of the School's change in net position for the current year and prior year:

**Operating Results for the Year**

	Governmental Activities		
	6-30-19	6-30-20	Increase (Decrease)
<b>Revenues:</b>			
Federal Through State and Local	\$ 631,825	\$ 700,270	\$ 68,445
State Sources	3,687,398	3,767,984	80,586
Local and Other	230,659	201,493	(29,166)
Contributions	1,192,157	1,169,129	(23,028)
Total Revenues	5,742,039	5,838,876	96,837
<b>Expenses:</b>			
Instruction	1,979,234	2,221,613	242,379
Student Support Services	15,099	21,098	5,999
Instructional Media	22,977	1,458	(21,519)
Board of Education	40,477	34,278	(6,199)
School Administration	1,021,681	1,036,913	15,232
Food Services	333,780	263,298	(70,482)
Central Services	3,239	3,224	(15)
Student Transportation	198,373	138,983	(59,390)
Operation of Plant	1,870,563	1,901,600	31,037
Maintenance of Plant	130,029	136,070	6,041
Community Service	92,695	83,321	(9,374)
Unallocated Depreciation	33,891	35,842	1,951
Total Expenses	5,742,038	5,877,698	135,660
<b>Increase/(Decrease) in Net Position</b>	<b>\$ 1</b>	<b>\$ (38,822)</b>	<b>\$ (38,823)</b>

The largest revenue source for the School is the State of Florida (65%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School.

The largest concentrations of expenses during the year were for instruction (38%) and consists primarily of teachers' salaries. The School's expense categories experienced increases and decreases between fiscal years due to general economic conditions and the changing financial needs of the School.

**MILESTONES COMMUNITY SCHOOL, INC.**  
**D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**  
A Charter School and Component Unit of the District School Board of Brevard County, Florida  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

**Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$111,020.

**BUDGETARY HIGHLIGHTS**

The General Fund and Major Special Revenue Fund budgets for the fiscal year ended June 30, 2020, were developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its General Fund and Major Special Revenue Fund budgets several times. Refer to the Budgetary Comparison Schedule for additional information.

**CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$134,386 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, leasehold improvements, audio visual equipment, and vehicles. Additional information regarding the School's capital assets is presented in a subsequent note to the financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Principal, Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne 3355 Imagine Way, West Melbourne, FL 32904.



**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

*June 30, 2020*

		Governmental Activities
<b>ASSETS</b>		
Cash & Cash Equivalents	\$	190,092
Due From Other Agency		155,940
Accounts Receivable		10,580
Deposits		1,430
Capital Assets:		
Furniture, Fixtures, and Equipment, Net		97,343
Vehicles, Net		28,422
Audio Visual Equipment		5,707
Leasehold Improvements, Net		2,914
Total Capital Assets, Net		134,386
<b>TOTAL ASSETS</b>		<b>492,428</b>
<b>LIABILITIES</b>		
Salaries and Benefits Payable		135,313
Net Due to/from Management Company		110,378
Accounts Payable		1,331
<b>TOTAL LIABILITIES</b>		<b>247,022</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		134,386
Restricted for Food Service		109,589
Unrestricted		1,431
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>245,406</b>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2020**

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 2,221,613	\$ -	\$ 427,678	\$ -	\$ (1,793,935)
Student Support Services	21,098				(21,098)
Instructional Media	1,458				(1,458)
Board of Education	34,278				(34,278)
School Administration	1,036,913				(1,036,913)
Food Services	263,298		272,592		9,294
Central Services	3,224				(3,224)
Student Transportation	138,983				(138,983)
Operation of Plant	1,901,600	12,600		276,270	(1,612,730)
Maintenance of Plant	136,070				(136,070)
Community Service	83,321	78,737			(4,584)
Unallocated Depreciation	35,842				(35,842)
Total Governmental Activities	<u>\$ 5,877,698</u>	<u>\$ 91,337</u>	<u>\$ 700,270</u>	<u>\$ 276,270</u>	<u>\$ (4,809,821)</u>
General Revenues:					
State Sources					3,491,714
Local and Other					110,156
Contributions					1,169,129
Total General Revenues					<u>4,770,999</u>
Change in Net Position					(38,822)
Net Position - July 1, 2019					284,228
Net Position - June 30, 2020					<u>\$ 245,406</u>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2020**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 80,503	\$ 109,589	\$ -	\$ 190,092
Due From Other Agency	11,777	122,553	21,610	155,940
Accounts Receivable	10,580			10,580
Deposits	1,430			1,430
Due From Other Funds	144,163			144,163
Total Assets	<u>\$ 248,453</u>	<u>\$ 232,142</u>	<u>\$ 21,610</u>	<u>\$ 502,205</u>
<b>LIABILITIES</b>				
Salaries and Benefits Payable	\$ 135,313	\$ -	\$ -	\$ 135,313
Net Due to/from Management Company	110,378			110,378
Accounts Payable	1,331			1,331
Due to Other Funds		122,553	21,610	144,163
Total Liabilities	<u>247,022</u>	<u>122,553</u>	<u>21,610</u>	<u>391,185</u>
<b>FUND BALANCES</b>				
Nonspendable	1,430			1,430
Restricted for Food Service		109,589		109,589
Unassigned	1			1
Total Fund Balances	<u>1,431</u>	<u>109,589</u>	<u>-</u>	<u>111,020</u>
Total Liabilities and Fund Balances	<u>\$ 248,453</u>	<u>\$ 232,142</u>	<u>\$ 21,610</u>	<u>\$ 502,205</u>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
*June 30, 2020***

<b>Total Fund Balances - Governmental Funds</b>	\$ 111,020
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	<u>134,386</u>
<b>Total Net Position - Governmental Activities</b>	<u>\$ 245,406</u>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2020**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local	\$ -	\$ 700,270	\$ -	\$ 700,270
State Sources	3,491,714		276,270	3,767,984
Local and Other	201,493			201,493
Contributions	1,169,129			1,169,129
<b>Total Revenues</b>	<b>4,862,336</b>	<b>700,270</b>	<b>276,270</b>	<b>5,838,876</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	1,793,935	427,678		2,221,613
Student Support Services	21,098			21,098
Instructional Media	1,458			1,458
Board of Education	34,278			34,278
School Administration	1,036,913			1,036,913
Food Services		263,298		263,298
Central Services	3,224			3,224
Student Transportation	138,983			138,983
Operation of Plant	1,625,330		276,270	1,901,600
Maintenance of Plant	136,070			136,070
Community Service	83,321			83,321
Fixed Capital Outlay:				
Other Capital Outlay	1,800	71,250		73,050
<b>Total Expenditures</b>	<b>4,876,410</b>	<b>762,226</b>	<b>276,270</b>	<b>5,914,906</b>
Net Change in Fund Balances	(14,074)	(61,956)		(76,030)
Fund Balances, July 1, 2019	15,505	171,545	-	187,050
<b>Fund Balances, June 30, 2020</b>	<b>\$ 1,431</b>	<b>\$ 109,589</b>	<b>\$ -</b>	<b>\$ 111,020</b>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
*For the Fiscal Year Ended June 30, 2020***

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ (76,030)
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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 estimated useful lives as depreciation expense.

This is the amount of capital outlay (\$73,050) in excess of depreciation expense (\$35,842) in the current period.

<u>37,208</u>
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<b>Change in Net Position - Governmental Activities</b>	<u><u>\$ (38,822)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, and the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three 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 Brevard County, Florida, ("District"). The current charter is effective until June 30, 2021, and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a division of the Charter holder, and a component unit of the District; 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 which should be reported within 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 provides 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.

➤ **Basis of Presentation**

**Government-wide Financial Statements:** Government-wide financial statements, including the statement of Net Position and the statement of activities, present information about the School as a whole. Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliations are presented with each of the governmental fund financial statements.

The School considers all of its funds as major governmental funds:

- General Fund: to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund: to account for certain Federal grant program resources and the School's food services.
- Capital Projects Fund: to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, 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 prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is



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**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2020**

recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

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.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of Net Position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	10 years
Furniture, Fixtures and Equipment	5 - 10 years
Leasehold Improvements	10 years
Vehicles	3 - 7 years
Computer Software	3 - 7 years
Audio Visual Equipment	3 - 7 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **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(s) 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

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**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

(revenue) until then. The School does not have any items that qualify for reporting in this category.

➤ **Net Position and Fund Balance Classification**

*Government-wide Financial Statements*

Net Position are classified and reported in three components:

- **Net Investment in Capital Assets** – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- **Restricted Net Position** – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- **Unrestricted Net Position** – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- **Nonspendable** – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- **Restricted** – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- **Committed** – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- **Assigned** – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- **Unassigned** – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

➤ **Order of Fund Balance Spending Policy**

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under 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 (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 FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of (1) weighed FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the Legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2020, the School reported 438.19 unweighted FTE and 476.63 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to

**MILESTONES COMMUNITY SCHOOL, INC.  
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**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for Weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections. The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available. A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of Net Position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management is currently evaluating the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the School's financial position, results of its operations and/or cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**2. CASH DEPOSITS**

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

**3. DUE FROM OTHER AGENCY**

Amounts Due From Other Agency included in the accompanying statement of Net Position and balance sheet – governmental funds consists primarily of amounts due from the Brevard County School Board for Title I funds awaiting reimbursement and capital outlay funds. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

**4. INTERFUND RECEIVABLES/PAYABLES**

At June 30, 2020, the School's Capital Projects Fund owed the General Fund \$21,610 for expenditures incurred for the facilities rent, and the Special Revenue Fund owed the General Fund \$122,553 for Title I expenditures awaiting reimbursement from the District School Board. These amounts are netted together and not reported in the Statement of Net Position.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

**5. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$ 317,436	\$ 71,250	\$ -	\$ 388,686
Vehicles	47,753			47,753
Leasehold Improvements	4,995			4,995
Buildings & Fixed Equipment	2,225			2,225
Audio Visual Equipment	7,000	1,800		8,800
Computer Software	10,466			10,466
Total Capital Assets Being Depreciated	<u>389,875</u>	<u>73,050</u>	<u>-</u>	<u>462,925</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(267,472)	(23,871)		(291,343)
Vehicles	(9,819)	(9,512)		(19,331)
Leasehold Improvements	(1,082)	(999)		(2,081)
Buildings & Fixed Equipment	(2,225)			(2,225)
Audio Visual Equipment	(1,633)	(1,460)		(3,093)
Computer Software	(10,466)			(10,466)
Total Accumulated Depreciation	<u>(292,697)</u>	<u>(35,842)</u>	<u>-</u>	<u>(328,539)</u>
Governmental Activities Capital Assets, net	<u>\$ 97,178</u>	<u>\$ 37,208</u>	<u>\$ -</u>	<u>\$ 134,386</u>

All depreciation expense was shown as unallocated on the Statement of Activities.

**6. COMMITMENTS AND CONTINGENT LIABILITIES**

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 collectability of any related receivables at June 30, 2020, may be impaired.

In the opinion of the School, there are no significant liabilities relating 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.

**7. FUNDING AND CREDIT CONCENTRATIONS**

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

**8. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the School's State revenue:

Source	Amount
Florida Education Finance Program	\$ 2,008,000
Class Size Reduction	561,342
Charter School Capital Outlay	276,270
Discretionary Millage	192,835
Voluntary Pre-K	162,245
Supplementary Academic Instruction	120,302
ESE Guaranteed Allocation	117,737
Transportation	82,461
Discretionary Compression	46,825
School Recognition	43,499
Best and Brightest Teachers Program	42,964
Instructional Materials	32,754
Safe Schools	26,751
Reading Allocation	18,883
Funding Compression	11,444
Mental Health Assistance	11,106
Florida Teachers Classroom Supply	8,090
Miscellaneous State	2,251
Digital Classrooms Allocation	1,789
Discretionary Lottery	436
Total State Revenue	\$ 3,767,984

As provided in the charter school contract, the District has charged the School an administrative fee of available funds from the Florida Education Finance Program and categorical funding for which charter students may be eligible. The administrative fee for the fiscal year amounted to \$92,216.

**9. RETIREMENT PLAN**

The School participates in a 401(k) Retirement Savings Plan for employees. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. Contributions made by the School totaled \$49,264 for the year ended June 30, 2020. The School is currently making matching contributions up to 5% for participating employees. The rate of contribution is set annually by the Management Company.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

**10. RELATED PARTY TRANSACTIONS**

a) **Management Service Contract:**

The School entered into an amended and restated service agreement with Imagine Schools, Inc. (the management company), effective January 26, 2006, and amended May 29, 2012. This agreement calls for an Indirect Cost Allocation, for performance of its responsibilities, equal to twelve percent (12%) of State revenue. The Indirect Cost Allocation shall be paid monthly in an amount equal to one-twelfth of the annual budgeted allocation. Current year Indirect Cost Allocation fees charged to operations totaled \$557,275.

In the event there are not sufficient funds to pay operating expenses, the operating company will provide Operating Advances to cover such shortfalls. The operating company shall be reimbursed for such advances on the first date of each month in which funds reside in the School's operating account for which not otherwise reserved by the operating budget.

If, at the end of a fiscal year, the School's defined fund balance, as determined prior to final completion of the School's annual audit, is not sufficiently positive, consistent with Section 218.503(1), F.S. (2011), and the fund balance requirements of the District School Board of Brevard County (the "Authorizer"), if any, to reimburse the management company for all Operating Advances made during such fiscal year, the management company shall forgive the amount of outstanding Operating Advances that will enable the Defined Fund Balance to reflect a net surplus as of the end of such fiscal year equal to at least one dollar (\$1.00) or, if greater, the fund balance required by the Authorizer, if any. In no event shall the management company be required to make any Operating Advances, which, if forgiven, may result in a cumulative Operating Advance forgiveness in excess of two million five hundred dollars (\$2,500,000).

The management company shall be entitled to payment of a fee for services, including for providing Operating Advances (the "Fund Balance Assistance Fee"), in any year in which (i) no amounts were required to be forgiven pursuant to the previous paragraph, and (ii) the Defined Fund Balance, after consideration of the repayments of all outstanding Operating Advances, exceeds the fund balance required by the Authorizer, if any. The Fund Balance Assistance Fee for such year shall equal the lesser of (x) the amount which, when recorded for such year would cause the Defined Fund Balance to equal at least one dollar (\$1.00) or, if greater, the Fund Balance required by the Authorizer, if any, and (y) 2% of State revenues. The Fund Balance Assistance fee shall be due and payable as of the 15<sup>th</sup> day of December following the fiscal year of such determination, to allow for time to complete the School's annual audit. "Defined Fund Balance" for purposes of this agreement, shall mean that portion of the School's fund balance not classified as restricted, committed, or nonspendable, as reported on the fund financial statements.



**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

**b) Facilities Lease:**

On July 1, 2009, the School entered an operating sublease agreement with an affiliated entity of the Management Company for its facilities effective through the length of the School's charter. The lease calls for an annual base rent payable in advance in monthly installments. The base rent shall escalate annually on July 1 at a rate equal to the lesser of the overall Consumer Price Index for the immediate preceding calendar year. Total rent expense charged to operations for the year ended June 30, 2020, totaled \$1,649,043.

Fiscal Year Ending June 30:	Facilities
2021	\$ 1,682,024
Total Minimum Payments	\$ 1,682,024

**c) Net Due to/from Management Company:**

The School has entered into multiple agreements with the management company as described in Note 10 of the financial statements. The ending balance of \$110,378 is the amount due to the management company, and consists of the following:

	Net due (to)/from management
Balance due (to)/from at July 1, 2019	\$ 32,268
Payments	1,566,969
Invoiced	(2,337,126)
Reclass of receivable	(541,618)
Contribution from management company	1,169,129
Balance due (to)/from at June 30, 2020	\$ (110,378)

**11. RISK MANAGEMENT PROGRAMS**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**12. 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.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF FLAGLER COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)  
For the Fiscal Year Ended June 30, 2020**

	General Fund				Major Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
<b>Intergovernmental:</b>								
Federal Through State and Local	\$	\$	\$	\$	\$	\$	\$	\$
State Sources	3,582,497	3,491,714	3,491,714	-	668,222	700,270	700,270	-
Local and Other	450,422	201,493	201,493	-	12,000	-	-	-
Contributions	964,364	1,169,129	1,169,129	-	-	-	-	-
<b>Total Revenues</b>	<b>4,997,283</b>	<b>4,862,336</b>	<b>4,862,336</b>	<b>-</b>	<b>680,222</b>	<b>700,270</b>	<b>700,270</b>	<b>-</b>
<b>Expenditures:</b>								
<b>Current - Education:</b>								
Instruction	1,891,059	1,793,935	1,793,935	+	305,745	427,678	427,678	-
Student Support Services	60,151	21,098	21,098	+	-	-	-	-
Instructional Media	-	1,458	1,458	-	-	-	-	-
Board of Education	33,540	34,278	34,278	-	-	-	-	-
School Administration	1,070,240	1,036,913	1,036,913	+	-	-	-	-
Food Services	-	-	-	-	400,522	263,298	263,298	-
Central Services	2,800	3,224	3,224	-	-	-	-	-
Student Transportation	154,310	138,983	138,983	+	-	-	-	-
Operation of Plant	1,581,624	1,625,330	1,625,330	-	-	-	-	-
Maintenance of Plant	117,515	136,070	136,070	-	-	-	-	-
Community Service	86,044	83,321	83,321	+	-	-	-	-
<b>Fixed Capital Outlay:</b>								
Other Capital Outlay	-	1,800	1,800	-	-	71,250	71,250	-
<b>Total Expenditures</b>	<b>4,997,283</b>	<b>4,876,410</b>	<b>4,876,410</b>	<b>-</b>	<b>706,267</b>	<b>762,226</b>	<b>762,226</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(14,074)</b>	<b>(14,074)</b>	<b>-</b>	<b>(26,045)</b>	<b>(61,956)</b>	<b>(61,956)</b>	<b>-</b>
<b>Fund Balances, July 1, 2019</b>	<b>15,505</b>	<b>15,505</b>	<b>15,505</b>	<b>-</b>	<b>171,545</b>	<b>171,545</b>	<b>171,545</b>	<b>-</b>
<b>Fund Balances, June 30, 2020</b>	<b>\$ 15,505</b>	<b>\$ 1,431</b>	<b>\$ 1,431</b>	<b>\$ -</b>	<b>\$ 145,500</b>	<b>\$ 109,589</b>	<b>\$ 109,589</b>	<b>\$ -</b>

See Independent Auditor's Report

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

**1. BUDGETARY BASIS OF 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 and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.



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2803 W. Busch Blvd Ste 106  
Tampa, FL 33618  
office (813) 892-4274 fax (813) 932-1913  
www.KingandWalker.com

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**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 of Milestones Community School, Inc.  
d/b/a Imagine Schools at West Melbourne  
a Charter School and Component Unit of the District  
School Board of Brevard County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School"), a charter school and component unit of the District School Board of Brevard County, Florida, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 15, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive style.

September 15, 2020  
Tampa, Florida



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2803 W. Busch Blvd Ste 106  
Tampa, FL 33618  
office (813) 892-4274 fax (813) 932-1913  
www.KingandWalker.com

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**Management Letter as Required by Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of the Milestones Community School, Inc.  
d/b/a Imagine Schools at West Melbourne  
a Charter School and Component Unit of the  
District School Board of Brevard County, Florida

**Report on the Financial Statements**

We have audited the financial statements of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School"), a charter school and component unit of the District School Board of Brevard County, Florida, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated September 15, 2020.

**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 the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 15, 2020, 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 prior audit findings or recommendations.

**Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Imagine Schools at West Melbourne, 056515.

**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 the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and 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 the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

**Additional Matters**

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

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

Respectfully submitted,

*King & Walker, CPAs*

September 15, 2020  
Tampa, Florida





**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS  
AT WEST MELBOURNE**

A Charter School and Component Unit of the  
District School Board of Brevard County, Florida

INDEPENDENT AUDITOR'S REPORT AND  
FEDERAL SINGLE AUDIT

*for the fiscal year ended JUNE 30, 2021*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

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**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

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### Independent Auditor's Report

To the Board of Directors of Milestones Community School, Inc.  
d/b/a Imagine Schools at West Melbourne  
a Charter School and Component Unit of the District  
School Board of Brevard County, Florida

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School"), a charter school and component unit of the District School Board of Brevard County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 School'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 School'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.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne, as of June 30, 2021, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and the Note to Supplementary Information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021 on our consideration of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne 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 Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne internal control over financial reporting and compliance.

Respectfully submitted,



September 20, 2021  
Tampa, Florida

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2021.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements, as shown in the table of contents.

**FINANCIAL HIGHLIGHTS**

- The School reported an Unrestricted Net Position balance of \$1,431, as shown on the Statement of Net Position.
- For the fiscal year ended June 30, 2021, the School's expenses exceeded revenue by \$2,042, as shown on the School's Statement of Activities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

**Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of Net Position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of Net Position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the Net Position, is a measure of the financial health of the School.

The statement of activities presents information about the change in the School's Net Position and the results of operations, during the fiscal year. An increase or decrease in Net Position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

**MILESTONES COMMUNITY SCHOOL, INC.  
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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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**Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates three funds; a General Fund, a Capital Projects Fund, and a Special Revenue Fund. The School has elected to show each fund as a major fund.

The School adopts annual budgets for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budgets.

**Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**MILESTONES COMMUNITY SCHOOL, INC.  
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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of the School's current year and prior year net position:

**Net Position, End of Year**

	Governmental Activities		
	6-30-20	6-30-21	Increase (Decrease)
<b>ASSETS</b>			
Current and Other Assets	\$ 358,042	\$ 593,824	\$ 235,782
Capital Assets, Net	134,386	138,010	3,624
Total Assets	492,428	731,834	239,406
<b>LIABILITIES</b>			
Current Liabilities	247,022	488,470	241,448
Total Liabilities	247,022	488,470	241,448
<b>NET POSITION</b>			
Net Investment in Capital Assets	134,386	138,010	3,624
Restricted for Food Service	109,589	103,923	(5,666)
Unrestricted	1,431	1,431	-
Total Net Position	\$ 245,406	\$ 243,364	\$ (2,042)

Current assets consist primarily of cash and cash equivalents and amounts due from other agencies. The School's investment in capital assets consist of furniture, fixtures and equipment, buildings & fixed equipment, computer software, audio visual equipment, and vehicles, net of accumulated depreciation. Liabilities consist primarily of salaries and benefits payable and a net due to/from Management Company.

Total Net Position amounted to \$243,364 as of June 30, 2021, representing a decrease of \$2,042 from the prior fiscal year.



**MILESTONES COMMUNITY SCHOOL, INC.  
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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

The following is a summary of the School's change in net position for the current year and prior year:

	<b>Operating Results for the Year</b>		
	<u>Governmental Activities</u>		
	<u>6-30-20</u>	<u>6-30-21</u>	<u>Increase (Decrease)</u>
<b>Revenues:</b>			
Federal Through State and Local	\$ 700,270	\$ 973,745	\$ 273,475
State	3,767,984	4,443,596	675,612
Local and Other	201,493	222,618	21,125
Contributions	1,169,129	261,421	(907,708)
<b>Total Revenues</b>	<u>5,838,876</u>	<u>5,901,380</u>	<u>62,504</u>
<b>Expenses:</b>			
Instruction	2,221,613	2,290,910	69,297
Student Support Services	21,098	60,454	39,356
Instructional Media	1,458	-	(1,458)
Instruction & Curriculum Development	-	52,434	52,434
Instructional Staff Training	-	100	100
Instructional Related Technology	-	160,695	160,695
Board	34,278	31,746	(2,532)
School Administration	1,036,913	1,191,846	154,933
Food Services	263,298	386,457	123,159
Central Services	3,224	1,260	(1,964)
Student Transportation	138,983	147,581	8,598
Operation of Plant	1,901,600	1,289,634	(611,966)
Maintenance of Plant	136,070	180,170	44,100
Community Service	83,321	73,008	(10,313)
Unallocated Depreciation	35,842	37,127	1,285
<b>Total Expenses</b>	<u>5,877,698</u>	<u>5,903,422</u>	<u>25,724</u>
<b>Increase/(Decrease) in Net Position</b>	<u>\$ (38,822)</u>	<u>\$ (2,042)</u>	<u>\$ 36,780</u>

The largest revenue source for the School is the State of Florida (75%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School.

The largest concentrations of expenses during the year were for instruction (39%) and consists primarily of teachers' salaries. The School's expense categories experienced increases and decreases between fiscal years due to general economic conditions and the changing financial needs of the School.

**MILESTONES COMMUNITY SCHOOL, INC.  
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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

**Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$105,354.

**BUDGETARY HIGHLIGHTS**

The general fund and special revenue fund budgets for the fiscal year ended June 30, 2021, were developed based on the School's anticipated revenues and expenditures, the expected student population, and Federal grant programs for the school year. Over the course of the year, the school revised the budgets several times. Refer to the Budgetary Comparison Schedule for additional information.

**CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$138,010 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, buildings and fixed equipment, audio visual equipment, computer software, and vehicles. Additional information regarding the School's capital assets is presented in a subsequent note to the financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Principal, Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne 3355 Imagine Way, West Melbourne, FL 32904.

**MILESTONES COMMUNITY SCHOOL, INC.  
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A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

*June 30, 2021*

		Government Activities
<b>ASSETS</b>		
Cash & Cash Equivalents	\$	328,415
Due From Other Agencies		252,954
Accounts Receivable		11,025
Prepaid Items & Deposits		1,430
Capital Assets:		
Audio Visual Equipment, Net		3,947
Furniture, Fixtures, and Equipment, Net		103,492
Vehicles, Net		30,571
Total Capital Assets		138,010
<b>TOTAL ASSETS</b>		<b>731,834</b>
<b>LIABILITIES</b>		
Salaries and Benefits Payable		162,016
Accounts Payable		2,788
Net Due To/ From Management Company		323,666
<b>TOTAL LIABILITIES</b>		<b>488,470</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		138,010
Restricted:		
Food Service		103,923
Unrestricted		1,431
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>243,364</b>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2021**

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 2,290,910	\$ -	\$ 341,108	\$ -	\$ (1,949,802)
Student Support Services	60,454	-	30,600	-	(29,854)
Instruction & Curriculum Development	52,434	-	52,434	-	-
Instructional Staff Training	100	-	100	-	-
Instructional Related Technology	160,695	-	160,695	-	-
Board	31,746	-	-	-	(31,746)
School Administration	1,191,846	-	-	-	(1,191,846)
Food Services	386,457	-	380,791	-	(5,666)
Central Services	1,260	-	-	-	(1,260)
Student Transportation	147,581	-	1,337	-	(146,244)
Operation of Plant	1,289,634	-	-	320,038	(969,596)
Maintenance of Plant	180,170	-	-	-	(180,170)
Community Service	73,008	114,534	-	-	41,526
Unallocated Depreciation	37,127	-	-	-	(37,127)
<b>Total Governmental Activities</b>	<b>\$ 5,903,422</b>	<b>\$ 114,534</b>	<b>\$ 967,065</b>	<b>\$ 320,038</b>	<b>(4,501,785)</b>
General Revenue					
State Sources					4,123,558
Local and Other					108,084
Grants and Contributions Not Restricted to Specific Programs					6,680
Contributions					261,421
Total General Revenues					4,499,743
Change in Net Position					(2,042)
Net Position - July 1, 2020					245,406
Net Position - June 30, 2021					\$ 243,364

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

**MILESTONES COMMUNITY SCHOOL, INC.  
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**BALANCE SHEET - GOVERNMENTAL FUNDS**

*June 30, 2021*

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 272,397	\$ 56,018	\$ -	\$ 328,415
Due From Other Agencies	-	252,954	-	252,954
Accounts Receivable	11,025	-	-	11,025
Prepaid Items & Deposits	1,430	-	-	1,430
Due from Other Funds	205,049	-	-	205,049
Total Assets	<u>\$ 489,901</u>	<u>\$ 308,972</u>	<u>\$ -</u>	<u>\$ 798,873</u>
<b>LIABILITIES</b>				
Salaries and Benefits Payable	\$ 162,016	\$ -	\$ -	\$ 162,016
Accounts Payable	2,788	-	-	2,788
Net Due To/ From Management Company	323,666	-	-	323,666
Due to Other Funds	-	205,049	-	205,049
Total Liabilities	<u>488,470</u>	<u>205,049</u>	<u>-</u>	<u>693,519</u>
<b>FUND BALANCES</b>				
Nonspendable	1,430	-	-	1,430
Restricted:				
Food Service	-	103,923	-	103,923
Unassigned	1	-	-	1
Total Fund Balances	<u>1,431</u>	<u>103,923</u>	<u>-</u>	<u>105,354</u>
Total Liabilities and Fund Balances	<u>\$ 489,901</u>	<u>\$ 308,972</u>	<u>\$ -</u>	<u>\$ 798,873</u>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

*June 30, 2021*

<b>Total Fund Balances - Governmental Funds</b>	\$ 105,354
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	<u>138,010</u>
<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 243,364</u></u>

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

**MILESTONES COMMUNITY SCHOOL, INC.**  
**D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For the Fiscal Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local	\$ -	\$ 973,745	\$ -	\$ 973,745
State	4,123,558	-	320,038	4,443,596
Local and Other	222,618	-	-	222,618
Contributions	261,421	-	-	261,421
<b>Total Revenues</b>	<u>4,607,597</u>	<u>973,745</u>	<u>320,038</u>	<u>5,901,380</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	1,949,802	341,108	-	2,290,910
Student Support Services	29,854	30,600	-	60,454
Instruction & Curriculum Development	-	52,434	-	52,434
Instructional Staff Training	-	100	-	100
Instructional Related Technology	-	160,695	-	160,695
Board	31,746	-	-	31,746
School Administration	1,191,846	-	-	1,191,846
Food Services	-	386,457	-	386,457
Central Services	1,260	-	-	1,260
Student Transportation	146,244	1,337	-	147,581
Operation of Plant	969,596	-	320,038	1,289,634
Maintenance of Plant	180,170	-	-	180,170
Community Service	73,008	-	-	73,008
Fixed Capital Outlay:				
Other Capital Outlay	34,071	6,680	-	40,751
<b>Total Expenditures</b>	<u>4,607,597</u>	<u>979,411</u>	<u>320,038</u>	<u>5,907,046</u>
Net Change in Fund Balances	-	(5,666)	-	(5,666)
Fund Balances, July 1, 2020	1,431	109,589	-	111,020
<b>Fund Balances, June 30, 2021</b>	<u>\$ 1,431</u>	<u>\$ 103,923</u>	<u>\$ -</u>	<u>\$ 105,354</u>

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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2021**

<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>(5,666)</b>
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 estimated useful lives as depreciation expense.		
Capital Outlays	40,751	
Depreciation Expense	<u>(37,127)</u>	<u>3,624</u>
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>(2,042)</u></b>

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



**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, and the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three 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 Brevard County, Florida, ("District"). The current charter is effective until June 30, 2026, and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a division of the Charter holder, and a component unit of the District; 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 which should be reported within 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 provides for identification of any entities for which the School is financially accountable and other Schools 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.

➤ **Basis of Presentation**

**Government-wide Financial Statements:** Government-wide financial statements, including the statement of Net Position and the statement of activities, present information about the School as a whole. Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

**MILESTONES COMMUNITY SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliations are presented with each of the governmental fund financial statements.

The School considers all of its funds as major governmental funds:

- General Fund: to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund: to account for certain Federal grant program resources and the School's food service operations.
- Capital Projects Fund: to account for all resources for the acquisition of capital assets and related items purchased by the School with capital outlay funds.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, 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 prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is

**MILESTONES COMMUNITY SCHOOL, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

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.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of Net Position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	10 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles	3 - 7 years
Computer Software	3 - 7 years
Audio Visual Equipment	3 - 7 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **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(s) 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

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

(revenue) until then. The School does not have any items that qualify for reporting in this category.

➤ **Net Position and Fund Balance Classification**

*Government-wide Financial Statements*

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

**MILESTONES COMMUNITY SCHOOL, INC.  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

➤ **Order of Fund Balance Spending Policy**

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under 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 (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 FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of (1) weighed FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the Legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2021, the School reported 490.66 unweighted FTE and 536.32 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to

**MILESTONES COMMUNITY SCHOOL, INC.**  
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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for Weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections. The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available. A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of Net Position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

**MILESTONES COMMUNITY SCHOOL, INC.  
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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**2. CASH DEPOSITS**

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the School’s deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida’s multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

**3. DUE FROM OTHER AGENCIES**

Amounts Due From Other Agencies included in the accompanying statement of Net Position and balance sheet – governmental funds consist primarily of amounts due from the Brevard County School Board for grant expenditures awaiting reimbursement and the State of Florida for the National School Lunch Program funds. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Computer Software	\$ 10,466	\$ -	\$ -	\$ 10,466
Improvements Other Than Buildings	4,995	-	(4,995)	-
Furniture, Fixtures and Equipment	388,686	33,430	-	422,116
Buildings & Fixed Equipment	2,225	-	-	2,225
Vehicles	47,753	12,316	-	60,069
Audio Visual Equipment	8,800	-	-	8,800
Total Capital Assets	<u>462,925</u>	<u>45,746</u>	<u>(4,995)</u>	<u>503,676</u>
Less Accumulated Depreciation for:				
Computer Software	(10,466)	-	-	(10,466)
Improvements Other Than Buildings	(2,081)	-	2,081	-
Furniture, Fixtures and Equipment	(291,343)	(27,281)	-	(318,624)
Buildings & Fixed Equipment	(2,225)	-	-	(2,225)
Vehicles	(19,331)	(10,167)	-	(29,498)
Audio Visual Equipment	(3,093)	(1,760)	-	(4,853)
Total Accumulated Depreciation	<u>(328,539)</u>	<u>(39,208)</u>	<u>2,081</u>	<u>(365,666)</u>
Governmental Activities Capital Assets, net	<u>\$ 134,386</u>	<u>\$ 6,538</u>	<u>\$ (2,914)</u>	<u>\$ 138,010</u>

All depreciation expense was shown as unallocated on the Statement of Activities.

**MILESTONES COMMUNITY SCHOOL, INC.  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**5. INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2021, the School's Special Revenue Fund owed the General Fund \$205,049 for grant expenditures awaiting reimbursement from the Brevard County District School Board. These amounts are netted together and not reported in the Statement of Net Position.

**6. COMMITMENTS AND CONTINGENT LIABILITIES**

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 collectability of any related receivables at June 30, 2021, may be impaired.

In the opinion of the School, there are no significant liabilities relating 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.

**7. FUNDING AND CREDIT CONCENTRATIONS**

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

**8. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the School's State revenue:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 3,171,957
Categorical Programs:	
Class Size Reduction	656,012
Charter School Capital Outlay	320,038
Miscellaneous	295,589
Total State Revenue	<u>\$ 4,443,596</u>

As provided in the charter school contract, the District has charged the School an administrative fee of available funds from the Florida Education Finance Program and categorical funding for which charter students may be eligible. The administrative fee for the fiscal year amounted to \$96,004.



**MILESTONES COMMUNITY SCHOOL, INC.  
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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**9. RELATED PARTY TRANSACTIONS**

a) **Management Service Contract:**

The School entered into an amended and restated service agreement with Imagine Schools, Inc. (the management company), effective January 26, 2006, and amended May 29, 2012. This agreement calls for an Indirect Cost Allocation, for performance of its responsibilities, equal to twelve percent (12%) of State revenue. The Indirect Cost Allocation shall be paid monthly in an amount equal to one-twelfth of the annual budgeted allocation. Current year Indirect Cost Allocation fees charged to operations totaled \$675,521.

In the event there are not sufficient funds to pay operating expenses, the operating company will provide Operating Advances to cover such shortfalls. The operating company shall be reimbursed for such advances on the first date of each month in which funds reside in the School's operating account for which not otherwise reserved by the operating budget.

If, at the end of a fiscal year, the School's defined fund balance, as determined prior to final completion of the School's annual audit, is not sufficiently positive, consistent with Section 218.503(1), F.S. (2011), and the fund balance requirements of the District School Board of Brevard County (the "Authorizer"), if any, to reimburse the management company for all Operating Advances made during such fiscal year, the management company shall forgive the amount of outstanding Operating Advances that will enable the Defined Fund Balance to reflect a net surplus as of the end of such fiscal year equal to at least one dollar (\$1.00) or, if greater, the fund balance required by the Authorizer, if any. In no event shall the management company be required to make any Operating Advances, which, if forgiven, may result in a cumulative Operating Advance forgiveness in excess of two million five hundred dollars (\$2,500,000).

The management company shall be entitled to payment of a fee for services, including for providing Operating Advances (the "Fund Balance Assistance Fee"), in any year in which (i) no amounts were required to be forgiven pursuant to the previous paragraph, and (ii) the Defined Fund Balance, after consideration of the repayments of all outstanding Operating Advances, exceeds the fund balance required by the Authorizer, if any. The Fund Balance Assistance Fee for such year shall equal the lesser of (x) the amount which, when recorded for such year would cause the Defined Fund Balance to equal at least one dollar (\$1.00) or, if greater, the Fund Balance required by the Authorizer, if any, and (y) 2% of State revenues. The Fund Balance Assistance fee shall be due and payable as of the 15<sup>th</sup> day of December following the fiscal year of such determination, to allow for time to complete the School's annual audit. "Defined Fund Balance" for purposes of this agreement, shall mean that portion of the School's fund balance not classified as restricted, committed, or nonspendable, as reported on the fund financial statements.

**MILESTONES COMMUNITY SCHOOL, INC.  
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A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

**b) Facilities Lease:**

On July 1, 2009, the School entered an operating sublease agreement with an affiliated entity of the Management Company for its facilities effective through the length of the School's charter. The lease calls for an annual base rent payable in advance in monthly installments. The base rent shall escalate annually on July 1 at a rate equal to the lesser of the overall Consumer Price Index for the immediate preceding calendar year. Total rent expense charged to operations for the year ended June 30, 2021, totaled \$678,694.

The total future minimum payments for the years ended June 30, are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Minimum Lease Payments</u>
2022	\$ 1,611,998
2023	1,636,178
2024	1,660,721
2025	1,685,632
2026	<u>1,710,916</u>
Total Minimum Lease Payments	<u>\$ 8,305,445</u>

**c) Net Due to/from Management Company:**

The School has entered into multiple agreements with the management company as described in Note 9 of the financial statements. The ending balance of \$323,666 is the amount due to the management company, and consists of the following:

	<u>Net due (to)/from management company</u>
Balance due (to)/from at July 1, 2020	\$ (110,378)
Payments	2,483,452
Invoiced	(1,789,032)
Reclass of receivable	(1,169,129)
Contribution from management company	<u>261,421</u>
Balance due (to)/from at June 30, 2021	<u>\$ (323,666)</u>

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**10. RETIREMENT PLAN**

The School participates in a 401(k) Retirement Savings Plan for employees. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. Contributions made by the School totaled \$56,756 for the year ended June 30, 2021. The School is currently making matching contributions up to 5% for participating employees. The rate of contribution is set annually by the Management Company.

**11. RISK MANAGEMENT PROGRAMS**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**12. 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.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND SPECIAL REVENUE FUND (UNAUDITED)  
For the Fiscal Year Ended June 30, 2021**

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
Intergovernmental:								
Federal Through State and Local State	\$ -	\$ -	\$ -	\$ -	\$ 735,752	\$ 973,745	\$ 973,745	\$ -
Local and Other	3,590,941	4,123,558	4,123,558	-	-	-	-	-
Contributions	386,375	222,618	222,618	-	-	-	-	-
Total Revenues	1,085,218	261,421	261,421	-	-	-	-	-
<b>Expenditures:</b>								
Current - Education:								
Instruction	1,898,348	1,949,802	1,949,802	-	366,128	341,108	341,108	-
Student Support Services	41,534	29,854	29,854	-	-	30,600	30,600	-
Instruction & Curriculum Development	-	-	-	-	-	52,434	52,434	-
Instructional Staff Training	-	-	-	-	-	100	100	-
Instructional Related Technology	-	-	-	-	-	160,695	160,695	-
Board	34,000	31,746	31,746	-	-	-	-	-
School Administration	1,029,666	1,191,846	1,191,846	-	-	-	-	-
Food Services	-	-	-	-	339,413	386,457	386,457	-
Central Services	250	1,260	1,260	-	-	-	-	-
Student Transportation	159,238	146,244	146,244	-	-	1,337	1,337	-
Operation of Plant	1,681,979	969,596	969,596	-	-	-	-	-
Maintenance of Plant	115,744	180,170	180,170	-	-	-	-	-
Community Service	103,205	73,008	73,008	-	-	-	-	-
Fixed Capital Outlay:								
Other Capital Outlay	-	34,071	34,071	-	-	6,680	6,680	-
Total Expenditures	5,063,964	4,607,597	4,607,597	-	705,541	979,411	979,411	-
Net Change in Fund Balances	(1,430)	-	-	-	30,211	(5,666)	(5,666)	-
Fund Balances, July 1, 2020	1,431	1,431	1,431	-	109,589	109,589	109,589	-
Fund Balances, June 30, 2021	\$ 1	\$ 1,431	\$ 1,431	\$ -	\$ 139,800	\$ 103,923	\$ 103,923	\$ -

See Independent Auditor's Report

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2021**

**1. BUDGETARY BASIS OF 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 and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.



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Government Audit Quality Center

2803 W. Busch Blvd Ste 106  
Tampa, FL 33618  
office (813) 892-4274 fax (813) 932-1913  
www.KingandWalker.com

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**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 of Milestones Community School, Inc.  
d/b/a Imagine Schools at West Melbourne  
a Charter School and Component Unit of the District  
School Board of Brevard County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne ("School"), a charter school and component unit of the District School Board of Brevard County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 20, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

September 20, 2021  
Tampa, Florida



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2803 W. Busch Blvd Ste 106  
Tampa, FL 33618  
office (813) 892-4274 fax (813) 932-1913  
www.KingandWalker.com

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**Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors of Milestones Community School, Inc.  
d/b/a Imagine Schools at West Melbourne  
a Charter School and Component Unit of the  
District School Board of Brevard County, Florida

**Report on Compliance for Each Major Federal Program**

We have audited the Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne’s, (“School”) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School’s major federal programs for the fiscal year ended June 30, 2021. The School’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs – Federal Programs.

***Management’s Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the School’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School’s compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow managements or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

*King & Walker, CPAs*

September 20, 2021  
Tampa, Florida

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF BREVARD COUNTY, FLORIDA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures
<b>Clustered</b>			
<b>Child Nutrition Cluster:</b>			
<b>United States Department of Agriculture:</b>			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	20002	\$ 95,627
National School Lunch Program	10.555	20001, 20003	<u>285,164</u>
<b>Total Child Nutrition Cluster</b>			<u><u>380,791</u></u>
<b>Education Stabilization Fund Cluster:</b>			
<b>United States Department of Education:</b>			
Brevard County District School Board:			
Governor's Emergency Education Relief Fund	84.425C	123	40,314
Elementary and Secondary School Emergency Relief Fund	84.425D	124	<u>119,214</u>
<b>Total Education Stabilization Fund Cluster</b>			<u><u>159,528</u></u>
<b>Not Clustered</b>			
<b>United States Department of Education:</b>			
Brevard County District School Board:			
Title I Grants to Local Educational Agencies	84.010	212	337,224
Improving Teacher Quality, Elementary and Secondary Education Act, Title II	84.367	224	9,420
Student Support and Academic Enrichment Program, Title IV	84.424	241	7,740
Special Education, Individuals with Disabilities Education Act (IDEA)	84.027	262	7,097
Public Charter School Program COVID-19 Distance Learning	84.282A	298	<u>71,945</u>
<b>Total United States Department of Education</b>			<u><u>433,426</u></u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 973,745</u></u>

See Independent Auditor's Report

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200**

**June 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**MILESTONES COMMUNITY SCHOOL, INC.  
D/B/A IMAGINE SCHOOLS AT WEST MELBOURNE**

A Charter School and Component Unit of the District School Board of Brevard County, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS  
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200  
June 30, 2021**

**Section I - SUMMARY OF AUDIT RESULTS**

As required by Title 2 U.S. Code of Federal Regulations Section 200.515, the following is a summary of the results of the audit of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne, for the fiscal year ended June 30, 2021:

<u>Financial Statements</u>	<u>Results</u>
Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal Control Over Financial Reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No
<u>Federal Awards</u>	
Internal control over the major Federal program:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for the major Federal program?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Identification of major program:	
CFDA Number:	
10.553 and 10.555	Child Nutrition Cluster
84.01	Title I Grants to Local Educational Agencies
Dollar threshold used to distinguish between Type A and Type programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**Section II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**Section IV– STATUS OF PRIOR YEAR FINDINGS**

No matters were reported.

**KING & WALKER**  
CERTIFIED PUBLIC ACCOUNTANTS

Members:  
Florida Institute of CPAs  
American Institute of CPAs  
Government Audit Quality Center

2803 W. Busch Blvd Ste 106  
Tampa, FL 33618  
office (813) 892-4274 fax (813) 932-1913  
www.KingandWalker.com

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**Management Letter as Required by Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of the Milestones Community School, Inc.  
d/b/a Imagine Schools at West Melbourne  
a Charter School and Component Unit of the  
District School Board of Brevard County, Florida

**Report on the Financial Statements**

We have audited the financial statements of Milestones Community School, Inc. d/b/a Imagine Schools at West Melbourne (“School”), a charter school and component unit of the District School Board of Brevard County, Florida, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 20, 2021.

**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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”); 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 20, 2021, 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 prior audit findings or recommendations.

**Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Imagine Schools at West Melbourne, 056515.

**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 the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and 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 the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

**Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

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

Respectfully submitted,

*King & Walker, CPAs*

September 20, 2021  
Tampa, Florida

**KING WALKER**  
CERTIFIED PUBLIC ACCOUNTANTS

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Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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**Additional Matters**

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Respectfully submitted,

*King & Walker, CPAs*

September 20, 2021  
Tampa, Florida



## MEMORANDUM

TO: Denis McKinnon  
FROM: Phil Guistolise  
RE: West Palm Beach Trio, 308 Units  
DATE: October 6, 2021

### West Palm Beach Trio

Disclosure: Trinity Partners is acting solely as Real Estate Consultant to the Issuer.

Introduction: Kingdom Development, Inc. ("Borrower") has requested that CTA issue 501c3 tax-exempt bonds in an amount not to exceed \$78,850,000 to assist it in acquiring the Sunset Place, The Charmer and Lancaster Apartments in West Palm Beach, Florida.

The Borrower: The Borrower is a California non-profit public benefit corporation formed in 2015. It received its 501c3 status in 2016. It is the general partner/operating partner in 13 properties totaling 1475 units. 12 of the properties are in California and one is in Florida. West Palm Beach Trio is an arm's length transaction between the seller and a joint venture of the Project Coordinator described below and an unaffiliated party. The purchase agreement will be assigned to the Borrower at a price increase of \$3,500,000 in the form of a note for \$2,000,000 (to Project Coordinator) payable out of surplus cash, and \$1,500,000 in cash to said unaffiliated party.

I am working with the Borrower on a 501c3 bond transaction in Missouri involving 186 units of low income housing.

#### The Other Parties:

Project Coordinator: Blue Ocean Holdings, LLC. I have worked with Blue Ocean for around seven months on the Missouri transaction and have found them to be ethical, smart, hard working and they follow their word.

Management Company: NDC Asset Manager. It is a national firm with an office in Florida where it manages 39 properties with over 1900 units. We have no experience with NDC, but will conduct due diligence prior to final inducement.

Underwriter: Cody Wilson of Pipe Sandler & Co. The Board and I have worked with Cody on several CTA-induced transactions, all of which closed, including one which would not have but for his diligence and perseverance.



The Properties: West Palm Beach Trio consists of three properties. Sunset Place was built in 1970. It consists of 191 units on 10.5 acres. The units, located in two-story buildings, are a mix of 1, 2 and 3 bedrooms. The Charmer was built in 1939. It consists of 39 units on .75% of an acre. The units, located in two-story buildings, are a mix of 1 and 2 bedrooms. Lancaster Apartments were built in 1968. It consists of 78 units on three acres. The units, located in a one, two-story building, are all 2 bedrooms. The three properties are all located in West Palm Beach and are roughly two miles apart from each other. My understanding is that environmental, property condition and appraisal reports have all been delivered. I have neither reviewed them nor seen the properties but will do both prior to final inducement.

The Transaction: The public purpose is to provide affordable housing, to low income residents. 40% of the units will be set aside for residents making not more than 60% of area median income, and an additional 35% of units set aside for those making not more than 80% of AMI. The properties will be financed using 501c3 tax exempt bonds. The proposed bond amount is \$78,850,000. The bonds will bear interest at the projected rate of 3.75%. Mandatory debt service will be interest only. However, beginning in 2023, 50% of all surplus cash will be used to pay down bonds. The bonds mature in 15 years. There will be a direct placement of the bonds (rather than a public offering). The bonds will be non-rated.

Projections:

	2020	1/21-8/21 annually	Year 1
<u>Sunset</u>			
GPR			
Vacancy			
Total Rent	2,465,718	2,507,163	2,582,378
Other Income	<u>450,022</u>	<u>362,909</u>	<u>373,796</u>
Total Income	2,915,740	2,870,072	2,956,174
Operating Exp*	812,741	781,511	804,955
RR	_____	_____	<u>57,600</u>
Total Expenses	812,741	781,511	862,555
NOI	2,102,999	2,088,561	2,093,619

Lancaster

GPR



Vacancy

Total Rent	1,081,272	1,075,071	1,107,323
Other Income	<u>15,618</u>	<u>34,811</u>	<u>35,855</u>
Total Income	1,096,890	1,109,882	1,143,178
Operating Exp*	176,828	178,926	188,295
RR	_____	_____	<u>22,800</u>
Total Expenses	176,808	178,926	207,095
NOI	920,062	930,945	936,083

The Charmer

GPR

Vacancy

Total Rent	523,881	576,556	593,853
Other Income	<u>24,945</u>	<u>13,556</u>	<u>14,075</u>
Total Income	548,831	590,221	607,928
Operating Exp*	114,143	144,464	148,798
RR	_____	_____	<u>11,700</u>
Total Expenses	114,143	144,464	160,498
NOI	434,696	445,757	447,430

Combined

GPR

Vacancy

Total Rent	4,070,885	4,158,791	4,283,555
Other Income	<u>490,585</u>	<u>411,385</u>	<u>423,726</u>
Total Income	4,561,470	4,570,176	4,707,281
Operating Exp*	1,103,712	1,104,902	1,138,048



RR			<u>92,100</u>
Total Expenses	<u>1,103,712</u>	<u>1,104,902</u>	1,230,148
NOI	3,457,757	3,465,274	3,477,133
DS			2,905,320
DSC			1.20

\*Without real estate tax

At first glance the projections appear reasonable in that NOI is only projected to grow some 12,000 over current annualized numbers. However, I will conduct further review between now and final bond inducement.

Sources and Uses:

<u>Sources of Funds</u>	<u>Total</u>
Bonds	\$78,100,000
Total	\$78,100,000

<u>Uses of Funds</u>	<u>Total</u>
Purchase Price	\$60,750,000
Repairs/Upgrades	\$4,928,000 (16,000/unit)
Developer Fee	\$2,000,000
Home Office Fee (Borrower)	\$200,000
Real Estate Costs	\$1,351,934
Bond Costs	\$1,781,380 (CTA fee: \$179,630)
Reserves	\$7,057,207 (operating reserve, capitalized interest, dsr)
Miscellaneous	<u>\$31,479</u>
Total	\$78,100,000

Recommendation: We recommend passage of the preliminary bond inducement resolution.





16,000/u

## West Palm Beach Trio Portfolio Scope of Work for Repairs and Potential Upgrades

### Sunset Place Apartments

#### Interiors.

Note: Due to Covid only 45 of the 191 units were inspected. Based upon the condition of those units it was estimated the level of repairs to be made on the interiors as follows:

1. Replace Kitchen cabinets as needed (approximately 75% of the units)
2. Replace Countertops as needed (approximately 75% of the units).
3. Replace water heaters as needed (approximately 70% of the units)
4. Replace A/C units as needed, (approximately 30% of the units)
5. Replace Bathroom Vanity as needed (approximately 78% of the units)
6. Acid wash and resurface existing porcelain tubs as needed (approximately 60% of the units)
7. Replace Tub surround as needed (approximately 33% of the units)
8. Replace light fixtures as needed (approximately 90% of the units)

Upgrades to be selected after acquisition based upon market conditions and marketing responses

1. Potential Premium upgrades to be market tested include:
  - a. Vinyl Plank Floors
  - b. Stainless Steel appliances
  - c. Back splash in kitchen
  - d. Granite Countertops
  - e. Solar Screens on Windows
  - f. Replace Sliding Glass Doors

#### Exterior

1. After acquisition and understanding better the needs of the residents, it is likely the following amenities would be added:
  - a. Tot Lot (this is a play gym for children 2-5)
  - b. Play Gym for Children 6-12
  - c. Splash Pad
  - d. Expanded Picnic tables and BBQs
  - e. Dog Park
2. Roofs. We expect approximately 70% of the roofs to be replaced in the first three years.
3. Termites. Most if not all of the stairways will require termite fumigation and some repairs.
4. Improved Landscaping.
5. Considering different paint on building Exteriors

## **Lancaster Apartments**

### **Interiors.**

Note: Due to Covid only 16 of the 78 units were inspected. Based upon the condition of those units it was estimated the level of repairs to be made on the interiors as follows:

1. Replace Kitchen cabinets as needed (approximately 10% of the units)
2. Replace Countertops as needed (approximately 10% of the units).
3. Replace water heaters as needed (approximately 33% of the units)
4. Replace PTAC A/C units as needed, however, existing PTACs all appeared to be in good condition
5. Replace Bathroom Vanity as needed (approximately 25% of the units)
6. Acid wash and resurface existing porcelain tubs as needed (approximately 90% of the units)
7. Replace Tub surround as needed (approximately 15% of the units)
8. Replace light fixtures as needed (approximately 75% of the units)
9. Replace all electric panels

Upgrades to be selected after acquisition based upon market conditions and marketing responses

1. Potential Premium upgrades to be market tested include:
  - a. Add wall A/C Units in all bedrooms (two per unit). The PTAC units do not sufficiently cool the bedrooms. The current owners installed window AC units in the bedrooms
  - b. Vinyl Plank Floors have already been installed in many apartments. Other apartments have earlier tile floors. Those tile floors may be superior to vinyl plank.
  - c. Stainless Steel appliances
  - d. Back splash in kitchen
  - e. Granite Countertops
  - f. Solar Screens on Windows

### **Exterior**

1. After acquisition and understanding better the needs of the residents, it is likely the following amenities would be added:
  - a. Tot Lot (this is a play gym for children 2-5)
  - b. Play Gym for Children 6-12
  - c. Expanded Picnic tables and BBQs
  - d. Dog Park
2. Roofs. We expect to replace the roofs to in the first three years.
3. Improved Landscaping.

## **Lancaster Apartments**

### **Interiors.**

Note: Due to Covid only 16 of the 78 units were inspected. Based upon the condition of those units it was estimated the level of repairs to be made on the interiors as follows:

1. Replace Kitchen cabinets as needed (approximately 10% of the units)
2. Replace Countertops as needed (approximately 10% of the units).
3. Replace water heaters as needed (approximately 33% of the units)
4. Replace PTAC A/C units as needed, however, existing PTACs all appeared to be in good condition
5. Replace Bathroom Vanity as needed (approximately 25% of the units)
6. Acid wash and resurface existing porcelain tubs as needed (approximately 90% of the units)
7. Replace Tub surround as needed (approximately 15% of the units)
8. Replace light fixtures as needed (approximately 75% of the units)
9. Replace all electric panels

Upgrades to be selected after acquisition based upon market conditions and marketing responses

1. Potential Premium upgrades to be market tested include:
  - a. Add wall A/C Units in all bedrooms (two per unit). The PTAC units do not sufficiently cool the bedrooms. The current owners installed window AC units in the bedrooms
  - b. Vinyl Plank Floors have already been installed in many apartments. Other apartments have earlier tile floors. Those tile floors may be superior to vinyl plank.
  - c. Stainless Steel appliances
  - d. Back splash in kitchen
  - e. Granite Countertops
  - f. Solar Screens on Windows

### **Exterior**

1. After acquisition and understanding better the needs of the residents, it is likely the following amenities would be added:
  - a. Tot Lot (this is a play gym for children 2-5)
  - b. Play Gym for Children 6-12
  - c. Expanded Picnic tables and BBQs
  - d. Dog Park
2. Roofs. We expect to replace the roofs to in the first three years.
3. Improved Landscaping.



## **The Charmer**

### **Interiors.**

Note: Due to Covid only 10 of the 39 units were inspected. Based upon the condition of those units it was estimated the level of repairs to be made on the interiors as follows:

1. Kitchen cabinets are all in good condition.
2. Replace Countertops as needed (approximately 90% of the units). Will probably replace all countertops with granite.
3. Central Hot Water was replaced in August – Brand new unit. Add wall A/C Units in all bedrooms (two per unit). The PTAC units do not sufficiently cool the bedrooms. The current owners installed window AC units in the bedrooms
4. Replace Bathroom Vanity as needed (approximately 10% of the units)
5. Acid wash and resurface existing porcelain tubs as needed (approximately 100% of the units)
6. All of the Tub surrounds were in good condition
7. Replace light fixtures as needed (approximately 20% of the units)
8. Repair or replace Floor Tile (approximately 10% of the units)

Upgrades to be selected after acquisition based upon market conditions and marketing responses

1. Potential Premium upgrades to be market tested include:
  - a. Add wall A/C Units in all bedrooms (not the one-story townhomes). The A/C units do not sufficiently cool the bedrooms. The current owners installed window AC units in the bedrooms.
  - b. Stainless Steel appliances
  - c. Back splash in kitchen
  - d. Solar Screens on Windows
2. Hallways – Misc. repairs to floors, add wall hangings.

### **Exterior**

1. Roofs. The roof is new.
2. Improved Landscaping.



11,725/u

### Kensington Scope of Work for Repairs and Potential Upgrades

Note: Due to Covid only 20 units were inspected. Based upon the condition of those units it was estimated the level of repairs to be made on the interiors as follows:

1. Replace Kitchen cabinets as needed (approximately 40% of the units)
2. Replace Countertops as needed (approximately 50% of the units).
3. Replace water heaters as needed (approximately 50% of the units)
4. Replace PTAC A/C units as needed, however, existing PTACs all appeared to be in good condition
5. Replace Bathroom Vanity as needed (approximately 60% of the units)
6. Replace existing ceiling fans as needed (approximately 45% of the units)
7. In units in which there is no exiting ceiling fan - Add either fan or wall mounted A/C unit to all bedrooms for the 1-bedroom apartment units
8. In units in which there is no exiting ceiling fan - Add either fan or wall mounted A/C unit to one bedroom and the living room for the 2-bedroom apartment units
9. Acid wash and resurface existing porcelain tubs as needed (approximately 30% of the units)
10. Replace Tub surround as needed (approximately 34% of the units)
11. Replace light fixtures as needed (approximately 45% of the units)
12. Slurry coat and strip parking lot
13. Add Dog Park
14. Replace water and sewer pipes under the buildings and in the walls as needed (estimated at 80% or more)

Upgrades to be selected after acquisition based upon market conditions and marketing responses

1. All units have washer dryer connections – add washer dryer to the units. There are two laundry rooms. If all of the units have washer dryers, then the laundry rooms can be converted to community amenities.
2. Potential Premium upgrades to be market tested include:
  - a. Vinyl Plank Floors
  - b. Stainless Steel appliances
  - c. Back splash in kitchen
  - d. Granite Countertops
  - e. Solar Screens on Windows





To: CTA Board of Directors

From: Denis McKinnon, III

RE: Kingdom Development, Inc. Kensington Villas Project Inducement Resolution 24-21

The following memo, application, and resolution relate to Kingdom Development Inc.'s application for not to exceed \$32,000,000 for the acquisition and rehabilitation of 1 housing complex located in Orlando, FL. The previous project includes the same principals and program partners. The Kensington Villas transaction is structured similarly to the West Palm Beach Portfolio project.

This is not a Low Income Housing Tax Credit (LIHTC) transaction. This transaction is an acquisition and rehabilitation by a not for profit to provide housing to low income qualified individuals; however, no tax credits are being used or applied for. CTA has engaged Phil Guistolise with Trinity Partners to act as Real Estate Consultant to CTA. His preliminary inducement memo is attached.

Kingdom Development has served as the financial advisor and/or developer on 51 transactions totaling 4,996 units. Kingdom's resume is attached as exhibit 3 to the application and includes resumes of the organization's principals.

Kensington Villas is an existing apartment complex located in Orlando, FL. Through the tax-exempt financing, Kingdom Development, through a subsidiary, will purchase the property and use approximately \$2,000,000 to update and rehab the properties.

According to the developer, Blue Ocean Holdings, repairs to the building will include replacing kitchen cabinets as need, waster heaters, PTAC air conditioning units, adding a dog park, and replacing bathtub surrounds as needed.

All units have washer and dryer connections and the financing will provide for the appliances. This will allow the laundry rooms to be converted to community amenities.

At least 40% of the units will be set aside for residents whose household income does not exceed 60% of Area Median Income (AMI). At least an additional 35% of the units will be set aside for residents whose household income does not exceed 80% of AMI. These are currently market rate facilities with no rental subsidies, no rental restrictions, and no income restrictions.

The stated goal of Kingdom Development is to convert these properties into income restricted properties. This will avoid gentrification and provide long term affordable housing in the are for ow-income residents.

CTA staff respectfully requests adoption of Inducement Resolution 24-21 for Kingdom Development, Inc's Kensington Villas Project.



## MEMORANDUM

TO: Denis McKinnon  
FROM: Phil Guistolise  
RE: Kensington Villas, 170 Units  
DATE: October 6, 2021

### Kensington Villas

Disclosure: Trinity Partners is acting solely as Real Estate Consultant to the Issuer.

Introduction: Kingdom Development, Inc. ("Borrower") has requested that CTA issue 501c3 tax-exempt bonds in an amount not to exceed \$30,400,000 to assist it in acquiring the Kensington Villas Apartments in Orlando, Florida.

The Borrower: The Borrower is a California non-profit public benefit corporation formed in 2015. It received its 501c3 status in 2016. It is the general partner/operating partner in 13 properties totaling 1475 units. 12 of the properties are in California and one is in Florida. Kensington is an arm's length transaction between the seller and the Project Coordinator described below. The Project Coordinator will assign its purchase agreement to the Borrower at a price increase of \$1,500,000 in the form of a note payable out of surplus cash. In addition, I am working with the Borrower on a 501c3 bond transaction in Missouri involving 186 units of low income housing.

#### The Other Parties:

Project Coordinator: Blue Ocean Holdings, LLC. I have worked with Blue Ocean for around seven months on the Missouri transaction and have found them to be ethical, smart, hard working and they follow their word.

Management Company: NDC Asset Manager. It is a national firm with an office in Florida where it manages 39 properties with over 1900 units. We have no experience with NDC, but will conduct due diligence prior to final inducement.

Underwriter: Cody Wilson of Pipe Sandler & Co. The Board and I have worked with Cody on several CTA-induced transactions, all of which closed, including one which would not have but for his diligence and perseverance.

The Property: Kensington Villas was built in 1984 and is located at 2909 Burroughs Drive, Orlando. It consists of 170 single story buildings on over 11 acres of land. Units range from studios to 2 bedroom/2 bathrooms. My understanding is that environmental, property



condition and appraisal reports have all been delivered. I have not reviewed them nor seen the property but will do both prior to final inducement.

The Transaction: The public purpose is to provide affordable housing, to low income residents. 40% of the units will be set aside for residents making not more than 60% of area median income, and an additional 35% of units set aside for those making not more than 80% of AMI. The property will be financed using 501c3 tax exempt bonds. The proposed bond amount is \$30,350,000. The bonds will bear interest at the projected rate of 3.75%. Mandatory debt service will be interest only. However, beginning in 2023, 50% of all surplus cash will be used to pay down bonds. The bonds mature in 15 years. There will be a direct placement of the bonds (rather than a public offering). The bonds will be non-rated.

Projections:

	2018	9/20-8/21	9/21 rr	Proforma	Comments
GPR			1,965,600	1,964,313	
Vacancy			8%	8%	Sept vac: 5%
Total Rent	1,372,531	1,606,666	1,808,352	1,805,178	
OI	<u>93,522</u>	<u>126,638</u>	<u>141,804</u>	<u>146,058</u>	
Total Income	1,466,053	1,733,304	1,950,156	1,951,236	
Operating Exp*	443,877	508,618	513,000	528,390	
RR	_____	_____	<u>51,000</u>	<u>51,000</u>	300/unit
Total Exp	443,877	508,618	564,000	579,390	
NOI	1,022,176	1,224,686	1,386,156	1,371,846	
D/S			1,125,000	1,125,000	
DSC			1.23	1.22	
Surplus Cash			261,156	246,846	
½ to Pay Down Bonds			130,578	123,423	
½ to Borrower			130,578	123,423	

\*Without real estate tax



At first glance the projections appear reasonable. Projected rents assume September, 2021 gross potential. Projected expenses appear to be reasonable including a 3% increase over current expenses. However, I will conduct further review between now and final bond inducement.

Sources and Uses:

<u>Sources of Funds</u>	<u>Total</u>
Bonds	\$30,000,000
Seller Note	\$1,500,000 (subordinated to debt service on bonds)
Total	\$31,500,000

<u>Uses of Funds</u>	<u>Total</u>
Purchase Price	\$23,100,000
Repairs/Upgrades	\$2,000,050 (11,765/unit)
Developer Fee	\$2,000,000
Home Office Fee (Borrower)	\$200,000
Real Estate Costs	\$464,000
Bond Costs	\$913,250 (CTA fee: \$106,500)
Reserves	\$2,804,030 (operating reserve, capitalized interest, dsr)
Miscellaneous	\$18,670
Total	\$31,500,000

Recommendation: We recommend passage of the preliminary bond inducement resolution.





To: CTA Board of Directors

From: Denis McKinnon, III

RE: Social Housing, Inc. Inducement Resolution 25-21

The following memo, application, and resolution relate to SHI – Lake Osborne, LLC's application for not to exceed \$40,000,000 for the acquisition of a housing complex located in Lake Worth, FL.

This is not a Low Income Housing Tax Credit (LIHTC) transaction. This transaction is an acquisition by a not for profit to provide housing to low and middle income qualified individuals; however, no tax credits are being used or applied for. CTA has engaged Phil Guistolise with Trinity Partners to act as Real Estate Consultant to CTA. His preliminary inducement memo is attached.

Social Housing is a Georgia not for profit serving communities around the country.

Social Housing is under contract to purchase the Village at Lake Osborne. Lake Osborne is an existing 118-unit multifamily rental community in Lake Worth, FL. The site was built in 2017 and consists of 1 and 3 bedroom units. Social Housing anticipates using the proceeds of the bonds to purchase and then constrict rents. According to the application, on average, rents will be reduced by \$191 on 75% of the units.

The property will restrict 20% of the units to 50% of Area Median Income (AMI), 55% of units to 80% AMI and 25% to 120% AMI.

The purchase price of the location is \$27,500,000. Bonds will be issued to fund more than \$2,000,000 in debt service reserves. The application does not propose significant capital improvement to the property. A property inspection report will detail what, if any, improvement will be needed.

CTA staff respectfully requests adoption of Inducement Resolution 25-21 for Social Housing, Inc.



MEMORANDUM

TO: Denis McKinnon  
FROM: Phil Guistolise  
RE: The Village at Lake Osborne, 118 Units  
DATE: October 6, 2021

The Village at Lake Osborne

Disclosure: Trinity Partners is acting solely as Real Estate Consultant to the Issuer.

Introduction: Social Housing, Inc. ("Borrower") has requested that CTA issue 501c3 tax-exempt bonds in an amount not to exceed \$35,000,000 to assist it in acquiring The Village at Lake Osborne Apartments in Lake Worth, Florida.

The Borrower: The Borrower is a Georgia non-profit corporation formed in 2015. It received its 501c3 status in 2015. The officers of the Borrower have extensive real estate experience throughout the country, closing and operating projects ranging from affordable housing to luxury condos to land development deals. This is my first transaction with the Borrower. I will conduct due diligence on it prior to final inducement.

The Other Parties:

Project Coordinator: LEDG Capital, LLC. I have not worked with LEDG before and will conduct due diligence on it prior to final inducement.

Management Company: Rainey Property Manager. It currently manages 1,314 units in Texas; this will be its first in Florida. We have no experience with Rainey, but will conduct due diligence prior to final inducement.

Underwriter: Alan Jaffe of Jefferies Group LLC, based in NYC. We have no experience with Jefferies.

The Property: The Village at Lake Osborne was built in 2017 and is located at 2430 Lake Worth Road, Lake Worth. It consists of 118 units of one and two bedroom apartments. My understanding is that environmental, property condition and appraisal reports have all been delivered. I have not reviewed them nor seen the property but will do both prior to final inducement.

The Transaction: This is an arm's length transaction between the seller (the original developer) and the Borrower. The public purpose is to provide affordable housing, to low and moderate



income residents. 20% of the units will be set aside for residents making not more than 50% of area median income, and an additional 55% of units set aside for those making not more than 80% of AMI. The property will be financed using 501c3 tax exempt bonds. The proposed bond amount is \$32,805,791. The bonds will be issued in two series, senior and subordinated. The senior bonds will bear interest at the rate of 3.38%, amortized over 35 years. The junior bonds will bear interest at the rate of 4% and be payable out of surplus cash with principal being paid out of a percentage of surplus cash. There will be a direct placement of the bonds (rather than a public offering). The bonds will be non-rated.



Projections:

	2020	1-7/21 annualized	Year 1	Comments
GPR	1,892,208	1,943,244	1,999,304	9/21 rr 2,057,568
Vacancy	<u>(123,126) 7%</u>	<u>(163,037) 8%</u>	<u>5%</u>	1 unleased unit
Total Rent	1,768,943	1,780,207	1,899,337	
OI	<u>12,530</u>	<u>23,501</u>	<u>14,955</u>	
Total Income	1,781,473	1,803,708	1,914,294	
Taxes	321,511	312,669	19,456	
Insurance	29,101	55,171	47,200	
Utilities	79,791	113,085	76,872	
R/M - Contracts	97,576	129,266	79,370	
Leasing	19,195	21,578	11,471	
Payroll	131,256	165,797	155,346	
Management Fee	54,300	51,600	57,429	3%
Administration	21,354	20,004	43,622	
Miscellaneous			19,683	
RR	<u>          </u>	<u>          </u>	<u>35,400</u>	300/unit
Total Expenses	754,084	869,169	545,850	
NOI	1,027,388	934,539	1,368,444	
	<u>321,51</u>	<u>312,669</u>		
(without taxes)	1,348,899	1,247,208		
		d/s Sen Bonds (1,027,217)		1.33 dsc
		d/s Sub Bonds <u>(469,632)</u>		
			(1,496,849)	
			(128,405)	





An initial review would indicate that the proforma is reasonable, especially the income side. Gross potential rent is lower than the current rent roll, and vacancy is currently 1% while projected to be 5%. Expenses projections are almost in line in 2021 (without taxes) and considerably greater than 2020.

We note that in the first year, NOI is projected to be 128,405 short of debt service. Uses of proceeds list 593,799 of capitalized interest (along with 152,000 in operating reserves). If NOI grows 3% per year, it will take roughly three years for the property to be self sustaining.

We will dig deeper into historicals and projections between now and final inducement, casting a keen eye on the likelihood of achieving sustainability, along with reviewing what mechanisms are in the documents to afford the Borrower and the property relief and more time if needed.

Sources and Uses:

<u>Sources of Funds</u>	<u>Total</u>
Senior Bonds - Jefferies	\$21,065,000
Subordinate Bonds - Jefferies	\$11,740,791
Total	\$32,805,791

<u>Uses of Funds</u>	<u>Total</u>
Purchase Price	\$27,500,000
Repairs/Upgrades	\$118,000
Developer Fee	\$828,900
Real Estate Costs	\$466,250
Bond Costs	\$997,616 (CTA fee: \$125,000)
Reserves	\$2,895,025 (operating reserve, capitalized interest, dsr)
Miscellaneous	\$
Total	\$31,500,000

Recommendation: We recommend passage of the preliminary bond inducement resolution.

