



Somerset Academy Bay
WL# 5062
(A Charter School under Somerset Academy, Inc.)

Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2022

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Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)
W/L# 5062
9500 SW 97th Avenue
Miami, Florida 33176

2021-2022

BOARD OF DIRECTORS

Todd German, Board Chair & Treasurer
Ana Diaz, Vice-Chair & Secretary
David Concepcion, Director
Dr. Bernard Kimmel, Director
Brian Matthew Cox, Director, (Texas)

OTHER NON-VOTING OFFICERS:

Bernardo Montero, President
Suzette Ruiz, Vice-President

SCHOOL ADMINISTRATION

Saili Hernandez, Principal



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Academy Bay
Miami, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Bay (the “School”), a charter school under Somerset Academy, Inc. as of, and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Somerset Academy Bay as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Somerset Academy, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Somerset Academy Bay’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of a Matter – Change in Accounting Principle

As described in Note 7 to the financial statements, in 2022, the School adopted new accounting guidance, GASB Statement No, 87, *Leases*. Our opinion is not modified with respect to this matter.

Emphasis of a Matter – Presentation

As described in Note 1, the accompanying financial statements referred to above present only the financial position and change in financial position of Somerset Academy Bay that is attributable to the transactions of the School and is not intended to be a complete presentation of Somerset Academy, Inc. These financial statements do not purport to, and do not, present fairly the financial position of Somerset Academy, Inc. as of June 30, 2022 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 5 through 9 and 29 to 30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 15, 2022

Management’s Discussion and Analysis
Somerset Academy Bay
(A Charter school Under Somerset Academy, Inc.)
June 30, 2022

The corporate officers of Somerset Academy Inc. have prepared this narrative overview and analysis of the Somerset Academy Bay’s financial activities for the fiscal year ended June 30, 2022.

Financial Highlights

1. The net position of the School at June 30, 2022 was \$935,774.
2. At year-end, the School had current assets on hand of \$1,695,481.
3. The School had an increase in its net position of \$378,842.
4. The unassigned fund balance at year end was \$966,578.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School’s basic financial statements. The School’s financial statements for the year ended June 30, 2022 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School’s net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10 - 11 of this report.

Fund Financial Statements

A “fund” is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental or fiduciary funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16 - 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, net position was \$ 935,774 at the close of the fiscal year. A summary of the School's net position as of June 30, 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 167,569	\$ 419,383
Investments	1,041,000	540,000
Prepaid expenses and other assets	15,331	168,443
Due from other agencies	471,581	420,556
Capital and right of use assets, net	<u>7,075,675</u>	<u>203,523</u>
Total Assets	<u>8,771,156</u>	<u>1,751,905</u>
Deferred outflows of resources	-	-
Accounts payable and accrued liabilities	255,950	219,973
Due to other divisions of Somerset Academy, Inc.	625,000	975,000
Lease liability	<u>6,954,432</u>	<u>-</u>
Total Liabilities	<u>7,835,382</u>	<u>1,194,973</u>
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	121,243	203,523
Unrestricted (deficit)	<u>814,531</u>	<u>353,409</u>
Total Net Position	<u>\$ 935,774</u>	<u>\$ 556,932</u>

At the end of the year, the School is able to report positive balances in total net position.

A summary and analysis of the School’s revenues and expenses for the year ended June 30, 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 293,294	\$ 398,273
Capital Grants and Contributions	269,097	259,833
Charges for Services	543,733	366,180
General Revenues		
Local Sources (FTE and other non specific)	3,366,338	3,250,111
Other Revenues	<u>266,587</u>	<u>186,808</u>
Total Revenues	<u>\$ 4,739,049</u>	<u>\$ 4,461,205</u>
EXPENSES		
Instruction	\$ 2,333,372	\$ 1,809,238
Student support services	25,001	4,764
Instructional staff training	20,622	1,150
Board	25,715	25,115
General administration	-	38,068
School administration	348,797	319,039
Fiscal services	66,600	64,125
Food services	96,844	62,108
Central services	98,554	87,637
Operation of plant	759,763	796,152
Maintenance of plant	185,510	202,188
Community Services	203,181	92,635
Debt Service	<u>196,248</u>	<u>750,000</u>
Total Expenses	<u>4,360,207</u>	<u>4,252,219</u>
Change in Net Position	378,842	208,986
Net Position at Beginning of Year	<u>556,932</u>	<u>347,946</u>
Net Position at End of Year	<u>\$ 935,774</u>	<u>\$ 556,932</u>

The School’s revenues and expenses increased by \$277,844 and \$107,988, respectively, in the current year. The School had a increase in its net position of \$378,842 for the year.

School Location and Lease of Facility

The School leases a facility located at 9500 SW 97th Avenue, Miami, FL 33176.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

School Enrollment

This past year, the School had on average 444 students enrolled in grades kindergarten through fifth.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$981,909. The fund balance unassigned and available for spending at the School's discretion is \$966,578. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets (including right of use lease assets) as of June 30, 2022 amounts to \$7,075,675 (net of accumulated depreciation and amortization). This investment in capital assets includes building and improvements, furniture, fixtures and computer equipment. As of June 30, 2022, the School had \$6,954,432 in long-term liabilities associated to its capital assets.

New Accounting Pronouncements Adopted

As described in Note 7, the School adopted GASB Statement No. 87, Leases. The effect of the adoption was to capitalize a right of use asset (building) with a corresponding liability which is being amortized over the life of the underlying lease agreement. The overall impact on the financial statements was to record interest and amortization expense related to the underlying asset and liability which results in higher total expenses (compared to pre-adoption) during the early years of the lease agreement.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School’s fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School’s budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 270,050	\$ 269,150	\$ 269,097
Federal sources	649,326	214,114	217,987
Lunch program	25,600	28,500	29,423
Charges and other revenues	264,150	265,320	266,695
General Revenues			
FTE nonspecific revenues	3,428,555	3,363,933	3,366,338
Charges and other revenues	619,375	540,225	543,625
Total Revenues	<u>5,257,056</u>	<u>4,681,242</u>	<u>4,693,165</u>
CURRENT EXPENDITURES			
Instruction	2,674,688	2,253,597	2,295,298
Student support services	46,663	26,447	25,001
Instructional staff training	23,350	21,950	20,622
Board	29,538	27,650	25,715
School administration	361,842	343,290	342,968
Fiscal services	66,150	66,600	66,600
Food services	97,447	108,617	96,364
Central services	93,750	100,104	98,554
Operation of plant	429,401	391,715	391,619
Maintenance of plant	122,304	182,230	181,236
Community Services	207,131	204,181	203,181
Total Current Expenditures	<u>\$ 4,152,264</u>	<u>\$ 3,726,381</u>	<u>\$ 3,747,158</u>

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC, 6340 Sunset Drive, Miami, Florida 33143.

Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)

Statement of Net Position
June 30, 2022

	Primary Government Governmental Activities
<u>Assets</u>	
Current assets:	
Cash	\$ 167,569
Investments	1,041,000
Prepaid expenses and other assets	15,331
Due from other agencies	471,581
Total current assets	<u>1,695,481</u>
Capital assets, net	
Capital assets, non-depreciable	23,504
Capital assets, depreciable	450,871
Less: accumulated depreciation	(266,864)
Right-of-use asset	7,203,196
Less: accumulated amortization	(335,032)
Total capital assets, net	<u>7,075,675</u>
Total Assets	<u>\$ 8,771,156</u>
<u>Deferred Outflows of Resources</u>	
	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	\$ 167,607
Accounts payable	88,343
Lease liability, current	255,738
Total current liabilities	<u>511,688</u>
Lease liability, non current	6,698,694
Due to other divisions of Somerset Academy, Inc.	625,000
Total long-term liabilities	<u>7,323,694</u>
Total liabilities	<u>7,835,382</u>
<u>Deferred Inflows of Resources</u>	
	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	121,243
Unrestricted	814,531
Total Net Position	<u>\$ 935,774</u>

Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)

Statement of Activities
For the year ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primay Government:					
Governmental activities:					
Instruction	\$ 2,333,372	\$ 233,547	\$ 227,110	\$ -	\$ (1,872,715)
Student support services	25,001	-	20,404	-	(4,597)
Instructional staff training	20,622	-	16,357	-	(4,265)
Board	25,715	-	-	-	(25,715)
School administration	348,797	-	-	-	(348,797)
Fiscal services	66,600	-	-	-	(66,600)
Food services	96,844	64,557	29,423	-	(2,864)
Central services	98,554	-	-	-	(98,554)
Operation of plant	759,763	43,491	-	269,097	(447,175)
Maintenance of plant	185,510	-	-	-	(185,510)
Community Services	203,181	202,138	-	-	(1,043)
Debt Service	196,248	-	-	-	(196,248)
Total governmental activities	<u>4,360,207</u>	<u>543,733</u>	<u>293,294</u>	<u>269,097</u>	<u>(3,254,083)</u>
General revenues:					
					3,366,338
FTE and other nonspecific revenues					266,587
Other revenue					<u>266,587</u>
Change in net position					378,842
Net position, beginning					<u>556,932</u>
Net position, ending					<u>\$ 935,774</u>

Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 122,140	\$ 45,429	\$ -	\$ 167,569
Investments	1,041,000	-	-	1,041,000
Due from other agencies	21,237	16,854	21,297	59,388
Due from fund	38,151	-	-	38,151
Prepaid expenses and other assets	15,331	-	-	15,331
Total Assets	<u>1,237,859</u>	<u>62,283</u>	<u>21,297</u>	<u>1,321,439</u>
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Salaries and wages payable	167,607	-	-	167,607
Accounts payable	88,343	-	-	88,343
Due to fund	-	16,854	21,297	38,151
Total Liabilities	<u>255,950</u>	<u>16,854</u>	<u>21,297</u>	<u>294,101</u>
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	15,331	-	-	15,331
Assigned	-	45,429	-	45,429
Unassigned	966,578	-	-	966,578
	<u>981,909</u>	<u>45,429</u>	<u>-</u>	<u>1,027,338</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,237,859</u>	<u>\$ 62,283</u>	<u>\$ 21,297</u>	<u>\$ 1,321,439</u>

Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds \$ 1,027,338

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$7,677,571 net of accumulated depreciation and amortization of \$601,896 used in governmental activities are not financial resources and therefore are not reported in the fund. 7,075,675

Receivables in governmental activities that are not collected within 60 days are not current financial resources and therefore are not reported in the governmental funds. 412,193

Long term liabilities were not due and payable in the current period and, therefore, are not reported in the fund. (7,579,432)

Total Net Position - Governmental Activities \$ 935,774

Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
State passed through local	\$ 3,366,338	\$ -	\$ -	\$ 3,366,338
State capital outlay funding	-	-	269,097	269,097
Federal sources	-	217,987	-	217,987
Lunch program	-	29,423	-	29,423
Charges and other revenue	543,625	266,695	-	810,320
Total Revenues	3,909,963	514,105	269,097	4,693,165
Expenditures:				
Current				
Instruction	2,118,435	176,863	-	2,295,298
Student support services	4,597	20,404	-	25,001
Instructional staff training	4,265	16,357	-	20,622
Board	25,715	-	-	25,715
School administration	342,968	-	-	342,968
Fiscal services	66,600	-	-	66,600
Food services	-	96,364	-	96,364
Central services	98,554	-	-	98,554
Operation of plant	391,619	-	-	391,619
Maintenance of plant	181,236	-	-	181,236
Community Services	-	203,181	-	203,181
Capital Outlay:				
Other capital outlay	35,510	50,247	-	85,757
Right-to-use lease asset (building)	-	-	7,203,196	7,203,196
Debt Service:				
Repayment of Principal	-	-	248,764	248,764
Interest	-	-	196,248	196,248
Total Expenditures	3,269,499	563,416	7,648,208	11,481,123
Excess (deficit) of revenues over expenditures	640,464	(49,311)	(7,379,111)	(6,787,958)
Other financing sources (uses):				
Decreases in long-term liabilities	(350,000)	-	-	(350,000)
Increases in leases	-	-	7,203,196	7,203,196
Transfers in (out)	(224,510)	48,595	175,915	-
Net change in fund balance	65,954	(716)	-	65,238
Fund Balance at beginning of year	915,955	46,145	-	962,100
Fund Balance at end of year	\$ 981,909	\$ 45,429	\$ -	\$ 1,027,338

Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2022

Net Change in Fund Balance - Governmental Funds \$ 65,238

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, their costs are allocated over their estimated useful lives as depreciation and amortization expense. This is the amount by which capital outlays of \$7,288,953 exceeded depreciation and amortization expense of \$416,801. 6,872,152

Revenues are recognized using the full accrual basis of accounting in the government-wide statements. However, revenues are recognized when they are measurable and available in the governmental funds. These revenues did not meet the recognition criteria during the current year and, therefore, were not reported in the governmental funds. 45,884

The proceeds from long term payables provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Decreases in debt principal is an expenditure in the governmental funds, but also reduces long-term liabilities in the statement of net position. This is the amount by which decreases of \$598,764 differed from increases of \$7,203,196. (6,604,432)

Change in Net Position of Governmental Activities \$ 378,842

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Bay (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The School's charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc., which is composed of five members and also governs other charter schools. The board has determined that no component units exist that would be require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2032 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes

The School is located in Miami, Florida for students from kindergarten through fifth grade and is funded by the District. These financial statements are for the period through June 30, 2022, when on average 444 students were enrolled for the school year.

Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

Government Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues, and other miscellaneous sources.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all non-major funds aggregated in a single column:

General Fund - is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Special Revenue Fund – accounts for specific revenues, such as federal funding and federal lunch program and COVID-19 emergency relief funding that are legally restricted to expenditures for particular purposes. Also, accounts for resources of the School's Internal Fund, which is used to administer monies collected in connection with school, student athletics, class, and club activities.

Capital Projects Fund – is used to account for the resources restricted for the acquisition or construction of specific capital assets and from state and local capital funding that are legally restricted to expenditures for particular purposes.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available.

Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means 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 60 days of the end of the fiscal year.

Note 1 – Summary of Significant Accounting Policies (continued)

Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using 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). Revisions to the annual budget are approved by the Board.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, *Fair Value Measurement and Application*, and other related standards which establish accounting and financial reporting standards for all investments (see Note 2). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

Inter-fund Transfers

Inter-fund receivables/payables ("due from/to") are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds.

Note 1 – Summary of Significant Accounting Policies (continued)

The right to use assets are initially measure at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Estimated useful lives, in years, for capital assets are as follows:

Improvements	5 Years
Right-of-use asset (building)	21 Years
Furniture, Equipment and Software	5 Years

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. There is an opportunity to “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefits years. The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Deferred Outflows/Inflows of Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Long-Term Debt and Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Revenue Sources

Revenues for current operations are received primarily from the state through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the 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 students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District. Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal 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. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Net Position and Fund Balance Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three (3) components:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets"

Note 1 – Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted resources are available for a specific purpose, it is the District's policy to use restricted resources first, until exhausted, before using unrestricted resources.

Fund financial statements

Under GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement 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 properly reported within one of the fund balance categories listed below:

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of 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).
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. The assigned balances at year end pertain to the School's Internal Account.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Income Taxes

Somerset Academy, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Prepaid Expenses and Other Assets

Other assets consist mainly of prepaid expenses which are payments for goods or services that have not been consumed or used at year end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a nonspendable fund balance classification.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Standard Adopted

In fiscal year 2022, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: Statement No. 87 Leases. See Note 7.

In fiscal year 2022, the School adopted GASB issued Statement No. 92, Omnibus. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021. These changes were incorporated in the School's 2022 financial statements and had no effect.

Pronouncements Issued But Not Yet Effective

GASB has issued GASBS Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 15, 2022, which is the date the financial statements were available to be issued.

Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2022

Note 2 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2022:

	Balance 07/01/21	Additions	Retirements/ Reclassifications	Balance 06/30/22
Capital Assets, non depreciable:				
Construction in progress	\$ -	\$ 23,504	\$ -	\$ 23,504
Capital Assets, depreciable:				
Computer equipment and software	61,175	50,248	(35,281)	76,142
Improvements	56,995	-	-	56,995
Furniture and equipment	358,948	12,005	(53,219)	317,734
Total Capital Assets	<u>\$ 477,118</u>	<u>\$ 85,757</u>	<u>\$ (88,500)</u>	<u>\$ 474,375</u>
Less Accumulated Depreciation:				
Computer equipment and software	\$ (47,338)	\$ (13,948)	\$ 35,281	\$ (26,005)
Improvements	(35,769)	(8,721)	-	(44,490)
Furniture and equipment	(190,488)	(59,100)	53,219	(196,369)
Total Accumulated Depreciation	<u>(273,595)</u>	<u>(81,769)</u>	<u>88,500</u>	<u>(266,864)</u>
Total Capital Assets, net	<u>\$ 203,523</u>	<u>\$ 3,988</u>	<u>\$ -</u>	<u>\$ 207,511</u>
Lease Assets:				
Right of use lease asset (building)	\$ -	\$ 7,203,196	\$ -	\$ 7,203,196
Less accumulated amortization	-	(335,032)	-	(335,032)
Total Lease Assets, net	<u>-</u>	<u>6,868,164</u>	<u>-</u>	<u>6,868,164</u>
Governmental Activities Capital Assets, net	<u><u>\$ 203,523</u></u>	<u><u>\$ 6,872,152</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,075,675</u></u>

For the fiscal year ended June 30, 2022, depreciation and amortization expense is allocated in the Statement of Activities by function as follows:

	Depreciation	Amortization
Instruction	\$ 38,074	\$ -
School administration	5,829	-
Food service	480	-
Operation of plant	33,112	335,032
Maintenance of Plant	4,274	-
Total Expense	<u>\$ 81,769</u>	<u>\$ 335,032</u>

Note 3 – Cash and Investments

Deposits

The School maintains its cash and cash equivalents in two financial institutions. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Somerset Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2022, bank balances in potential excess of FDIC coverage was approximately \$212,000.

Investments

The School follows the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2022, the School had \$1,400,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2022, maturities of the fund's portfolio holdings are approximately 87% within 30 days.

Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2022, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

Note 4 – Education Service and Support Provider

Academica Dade, LLC, an education service and support provider, provides administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, financial reporting and virtual services. The agreement between the School and the education service and support provider calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. through June 30, 2023, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2022, the School incurred \$199,800 in fees.

Note 5 – Transactions with Divisions of Somerset Academy, Inc. and Others

Charter Schools under Somerset Academy, Inc.

The School shares its facility with Somerset Academy Bay Middle School (another charter school under Somerset Academy, Inc.). Management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment. In addition, the School holds the student activities fund of Somerset Academy Bay Middle School.

In prior years, the School received non-interest bearing advances from affiliates for working capital purposes. The following schedule provides a summary of changes in long-term payables to other divisions of Somerset Academy, Inc. for the year ended June 30, 2022:

	<u>Balance</u> <u>07/01/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/22</u>
Due to Somerset Academy, Inc., long-term	\$ 750,000	\$ -	\$ (350,000)	\$ 400,000
Due to Somerset South Miami, long-term	225,000	-	-	225,000
Total long term payables	<u>\$ 975,000</u>	<u>\$ -</u>	<u>\$ (350,000)</u>	<u>\$ 625,000</u>

Somerset Academy, Inc. charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During the 2021-2022 school year, the School paid \$66,600 to Somerset Academy, Inc. for these shared costs.

During the year, the School received \$240,000 in donations from the Parent Teacher Organization for instructional and student support services expenses.

Note 6 – Contingencies and Concentrations

Contingencies and Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to

Note 6 – Contingencies and Concentrations (continued)

errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2022, administrative fees withheld by the School District totaled \$37,791.

Note 7 – Long-Term Liabilities

Somerset Academy, Inc. (“Charter Holder”) charges the School a usage fee for its facilities. Through the usage fee agreement all capital and operating costs as defined herein will be due on a monthly basis. The School shall pay the Charter Holder the sum of \$1,100 per year for each student enrolled in the School year, but not less than a combined 290 students for a minimum annual guarantee of \$319,000. In addition, the School will be responsible for their pro rata share based upon enrollment for the payment of all insurance, property taxes, management fees, repairs and maintenance, replacements and restorations of loss or damage of whatever kind in connection with the property.

On December 6, 2017, the Somerset Academy Inc. entered into a Financing Agreement (“Agreement”) with a Lender and the Miami-Dade County Industrial Development Authority (“Issuer”) whereby the Issuer issued its Miami-Dade County Industrial Development Authority Revenue Bond (Somerset Academy Project), Series 2017, for a principal amount of up to \$12,000,000 (the “Bond”) on behalf of the Charter Holder.

The School has implemented GASB Statement No. 87 Leases, and as a result recorded a lease right of use asset and liability in these financial statements. The lease right of use asset and liability were allocated between School and Somerset Academy Bay Middle based on enrollment and usage of facility. The allocation was approximately 36% for Somerset Academy Bay Middle and 64% for the School. Both schools’ revenues are pledged to the bond to cover the annual debt service, as such, initial measurement to record the intangible right to use this asset and the lease liability was based on the present value of the remaining annual debt service requirements of the bond discounted at the bond’s average interest rate of 2.73%.

The outstanding balance of the total bond as of June 30, 2022 was \$10,866,300.

For the year ended June 30, 2022, interest expense totaled \$196,248, as it relates to its lease agreement.

For 2022, variable and other payments of approximately \$33,000 in connection with the lease agreement not previously included in the measurement of the lease liability were recorded in rent expense.

Note 7 – Long-Term Liabilities (continued)

Annual requirements to amortize the lease liability and related interest are as follows:

Year	Principal	Interest	
2023	\$ 255,738	\$ 189,274	
2024	262,408	182,604	
2025	270,263	174,749	
2026	277,839	167,173	
2027	285,628	159,384	
2028-2032	1,552,049	673,011	for a five year period
2033-2037	1,782,697	442,363	for a five year period
2038-2042	2,047,096	177,964	for a five year period
2043	220,714	1,792	
	<u>\$ 6,954,432</u>	<u>\$ 2,168,314</u>	

Changes in long term lease liabilities during the year are as follows:

	Balance 07/01/21	Increases	Decreases	Balance 06/30/22
Lease liability	\$ -	\$7,203,196	\$ (248,764)	\$ 6,954,432
Total lease liability	<u>\$ -</u>	<u>\$7,203,196</u>	<u>\$ (248,764)</u>	<u>\$ 6,954,432</u>

Note 8 – Inter-fund Transfers

Inter-fund transfers in governmental funds as of June 30, 2022 consist of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund
To fund lease payments in the Capital Projects Fund	\$ (175,915)	\$ -	\$ 175,915
To fund federal expenditures for which revenues were not available	(45,884)	45,884	-
To fund shortfalls in the School's lunch program	(2,384)	2,384	-
To fund shortfalls from the internal account in the Special Revenue Fund	(327)	327	-
Total Transfers, net	<u>\$ (224,510)</u>	<u>\$ 48,595</u>	<u>\$ 175,915</u>
Due to General Fund from Capital Projects Fund for capital outlay	\$ 21,297	\$ -	\$ (21,297)
Due to General Fund from Special Revenue Fund for Title IV	16,854	(16,854)	-
Total Due from/(Due to)	<u>\$ 38,151</u>	<u>\$ (16,854)</u>	<u>\$ (21,297)</u>

Note 9 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past three fiscal years. In addition, there were no reductions in insurance coverage from those in the prior year.

The School has entered into a strategic relationship with ADP TotalSource Group, Inc., a human resource management firm, typically known as “Professional Employer Organization” (PEO). Under a co-employment agreements, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

Note 10 – Defined Contribution Retirement Plan

Post-retirement Benefits

The School’s personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School will match 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed to the Plan \$61,916 for the year ended June 30, 2022. The School does not exercise any control or fiduciary responsibility over the Plan’s assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2022

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 3,428,555	\$ 3,363,933	\$ 3,366,338
Charges and other revenue	619,375	540,225	543,625
Total Revenues	<u>4,047,930</u>	<u>3,904,158</u>	<u>3,909,963</u>
EXPENDITURES			
Current:			
Instruction	2,100,962	2,069,047	2,118,435
Student support services	24,813	5,997	4,597
Instructional staff training	5,000	5,000	4,265
Board	29,538	27,650	25,715
School administration	361,842	343,290	342,968
Fiscal services	66,150	66,600	66,600
Central services	93,750	100,104	98,554
Operation of plant	429,401	391,715	391,619
Maintenance of plant	122,304	182,230	181,236
Total Current Expenditures	<u>3,233,760</u>	<u>3,191,633</u>	<u>3,233,989</u>
Excess/(Deficit) of Revenues Over Current Expenditures	<u>814,170</u>	<u>712,525</u>	<u>675,974</u>
Capital Outlay			
Other Capital Outlay	<u>35,800</u>	<u>35,800</u>	<u>35,510</u>
Total Expenditures	<u>3,269,560</u>	<u>3,227,433</u>	<u>3,269,499</u>
Excess/(Deficit) of Revenues Over Expenditures	778,370	676,725	640,464
Other financing sources (uses):			
Decreases in long-term liabilities	-	(350,000)	(350,000)
Transfers in (out)	<u>(204,990)</u>	<u>(252,676)</u>	<u>(224,510)</u>
Net change in fund balance	573,380	74,049	65,954
Fund Balance at beginning of year	<u>915,955</u>	<u>915,955</u>	<u>915,955</u>
Fund Balance at end of year	<u>\$ 1,489,335</u>	<u>\$ 990,004</u>	<u>\$ 981,909</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2022

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 649,326	\$ 214,114	\$ 217,987
Lunch program	25,600	28,500	29,423
Charges and other revenue	264,150	265,320	266,695
Total Revenues	<u>939,076</u>	<u>507,934</u>	<u>514,105</u>
EXPENDITURES			
Current:			
Instruction	573,726	184,550	176,863
Student support services	21,850	20,450	20,404
Instructional staff training	18,350	16,950	16,357
Food services	97,447	108,617	96,364
Community Services	207,131	204,181	203,181
Total Current Expenditures	<u>918,504</u>	<u>534,748</u>	<u>513,169</u>
Excess/(Deficit) of Revenues Over Current Expenditures	<u>20,572</u>	<u>(26,814)</u>	<u>936</u>
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>50,247</u>
Total Expenditures	<u>968,504</u>	<u>584,748</u>	<u>563,416</u>
Excess/(Deficit) of Revenues Over Expenditures	(29,428)	(76,814)	(49,311)
Other financing sources (uses)			
Transfers in (out)	<u>29,428</u>	<u>76,814</u>	<u>48,595</u>
Net change in fund balance	-	-	(716)
Fund Balance at beginning of year	<u>46,145</u>	<u>46,145</u>	<u>46,145</u>
Fund Balance at end of year	<u>\$ 46,145</u>	<u>\$ 46,145</u>	<u>\$ 45,429</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



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
Somerset Academy Bay
Miami, 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 and each major fund of Somerset Academy Bay (the “School”) as of, and for the year ended June 30, 2022, 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, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

We issued a separate management letter dated September 15, 2022 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 15, 2022



MANAGEMENT LETTER

To the Board of Directors of
Somerset Academy Bay
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Bay, Miami, FL as of and for the year ended June 30, 2022 and have issued our report thereon dated September 15, 2022.

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.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 15, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no findings or recommendations made in the preceding financial audit report.

Official Title

Section 10.854.(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity 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 Somerset Academy Bay, (W/L#5062).

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 Somerset Academy Bay has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Somerset Academy Bay 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 Somerset Academy Bay. It is management's responsibility to monitor Somerset Academy Bay's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we 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 Somerset Academy Bay maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In Connection with our audit, we determined that Somerset Academy Bay 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, require us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note 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 Florida House of Representatives, the Florida Auditor General, School Board of Miami-Dade County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 15, 2022