



Somerset Academy Charter High School
W/L # 7042
(A charter school under Somerset Academy, Inc.)

Homestead, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2022

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Somerset Academy Charter High School
(A charter school under Somerset Academy, Inc)
W/L#7042
12425 SW 248 ST
Homestead, Florida 33032

2021-2022

BOARD OF DIRECTORS

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

SCHOOL ADMINISTRATION

Kerri O'Sullivan, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President
Suzette Ruiz, Vice-President



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Academy Charter High School
Homestead, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Charter High School (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 the School 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 the School’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 6 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 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 30 through 31 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.



Coral Gables, Florida
September 15, 2022

CERTIFIED PUBLIC ACCOUNTANTS

Management's Discussion and Analysis
Somerset Academy Charter High School
(A Charter School Under Somerset Academy, Inc.)
June 30, 2022

The corporate officers of Somerset Academy Charter High School have prepared this narrative overview and analysis of the school's financial activities for the period ended June 30, 2022.

Financial Highlights

1. The net position of the School as of June 30, 2022 was \$ 754,195.
2. At year-end, the School had current assets on hand of \$1,597,292.
3. The School had a decrease in its net position of \$(953,279).
4. The unassigned fund balance at year end was \$183,142.

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 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 - 29 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, the net position was \$ 754,195 at June 30, 2022. A summary of the School's net position as of June 30, 2022 and 2021 is as follows:

	2022	2021
Cash	\$ 155,189	\$ 63,779
Investments	510,000	610,000
Prepaid expenses and other current assets	67,181	97,086
Due from other agencies	864,922	1,359,991
Deposits receivable	20,559	20,309
Capital assets, net	19,957,996	1,113,320
Total Assets	<u>21,575,847</u>	<u>3,264,485</u>
Deferred outflows of resources	-	-
Accounts payable and accrued liabilities	547,470	414,368
Note payable	556,767	842,643
Due to other divisions of Somerset Academy, Inc.	-	300,000
Lease liability	19,717,415	-
Total Liabilities	<u>20,821,652</u>	<u>1,557,011</u>
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	509,435	270,677
Unrestricted	244,760	1,436,797
Total Net Position	<u>\$ 754,195</u>	<u>\$ 1,707,474</u>

At the end of both fiscal years, the School can 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	\$ 685,560	\$ 1,440,358
Capital grants and contributions	673,977	624,818
Lunch program	325,153	134,828
General Revenues		
Local sources(FTE and other non specific)	6,304,052	5,125,420
Other revenues	400,995	213,430
Total Revenues	<u>\$ 8,389,737</u>	<u>\$ 7,538,854</u>
EXPENSES		
Instruction	\$ 3,959,875	\$ 3,248,977
Student support services	217,819	109,203
Instructional staff training	34,144	1,196
Board	58,695	41,725
General administration	35,091	-
School administration	678,828	575,805
Fiscal services	131,400	134,570
Food services	406,661	202,802
Central services	158,571	163,140
Student transportation services	-	2,604
Operation of plant	2,127,437	1,893,143
Maintenance of plant	171,014	144,903
Administrative technology services	1,680	-
Community services	330,579	210,591
Debt service	1,031,222	63,601
Total Expenses	<u>9,343,016</u>	<u>6,792,260</u>
Change in Net Position	(953,279)	746,594
Net Position at Beginning of Year	<u>1,707,474</u>	<u>960,880</u>
Net Position at End of Year	<u>\$ 754,195</u>	<u>\$ 1,707,474</u>

The School's revenue and expenditures increased by \$850,883 and \$2,550,756 respectively. The School had a decrease in its net position of \$(953,279) for the year.

School Location and Lease of Facility

The School leases a facility located at 12425 SW 248 St, Homestead, Florida 33032.

Capital Improvement Requirements

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

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 \$250,323. The fund balance unassigned and available for spending at the School's discretion is \$183,142. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2022 amounts to \$661,194 (net of accumulated depreciation) and right of use lease asset (building) \$19,296,802 (net of accumulated amortization). This investment in capital assets includes right of use lease asset (building), improvements, and furniture, fixtures and equipment. As of June 30, 2022, the School had long-term liabilities of \$20,274,182 associated to its capital assets.

New Accounting Pronouncements Adopted

As described in Note 6, 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	\$ 674,120	\$ 674,120	\$ 673,977
Federal sources	1,138,445	1,147,133	1,188,074
Lunch program	318,355	320,958	325,153
General Revenues			
FTE and other nonspecific revenues	6,207,043	6,257,820	6,304,052
Charges and other revenues	391,739	397,488	400,995
Total Revenues	<u>8,729,702</u>	<u>8,797,519</u>	<u>8,892,251</u>
CURRENT EXPENDITURES			
Instruction	3,628,561	3,583,356	3,568,488
Student support services	336,177	258,156	250,238
Instructional staff training	1,725	1,725	1,725
Board	59,375	58,787	58,695
General administration	38,091	37,127	35,091
School administration	675,656	670,556	669,701
Fiscal services	134,625	134,135	131,400
Food services	410,445	408,681	406,661
Central services	168,625	161,985	158,571
Operation of plant	881,756	865,300	863,977
Maintenance of plant	150,000	142,811	140,814
Administrative technology services	1,680	1,680	1,680
Community services	338,655	335,455	330,579
Total Current Expenditures	<u>\$ 6,825,371</u>	<u>\$ 6,659,754</u>	<u>\$ 6,617,620</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 Corporation, 6340 Sunset Drive, Miami, Florida 33143.

Somerset Academy Charter High School
(A charter school under Somerset Academy, Inc.)

Statement of Net Position
June 30, 2022

	Primary Government <u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash	\$ 155,189
Investments	510,000
Due from other agencies	864,922
Prepaid expenses	<u>67,181</u>
Total Current Assets	1,597,292
Deposits receivable	20,559
Capital assets, depreciable	2,472,915
Less: accumulated depreciation	(1,811,721)
Right of use lease asset	20,502,850
Less: accumulated amortization	<u>(1,206,048)</u>
	<u>19,957,996</u>
Total Assets	<u>21,575,847</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	319,202
Accounts payable	228,268
Lease liability, current	825,621
Current portion, note payable	<u>300,055</u>
Total Current Liabilities	1,673,146
Note Payable	256,712
Lease liability	<u>18,891,794</u>
Total Liabilities	20,821,652
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	509,435
Unrestricted	<u>244,760</u>
Total Net Position	<u>\$ 754,195</u>

The accompanying notes are an integral part of this financial statement

Somerset Academy Charter High School
(A charter school under Somerset Academy, Inc.)

Statement of Activities
For the year ended June 30, 2022

Primary Government FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 3,959,875	\$ -	\$ 653,141	\$ -	\$ (3,306,734)
Student support services	217,819	-	-	-	(217,819)
Instructional staff training	34,144	-	32,419	-	(1,725)
Board	58,695	-	-	-	(58,695)
General administration	35,091	-	-	-	(35,091)
School administration	678,828	-	-	-	(678,828)
Fiscal services	131,400	-	-	-	(131,400)
Food services	406,661	40,227	284,926	-	(81,508)
Central services	158,571	-	-	-	(158,571)
Operation of plant	2,127,437	-	-	673,977	(1,453,460)
Maintenance of plant	171,014	-	-	-	(171,014)
Administrative technology services	1,680	-	-	-	(1,680)
Community services	330,579	358,474	-	-	27,895
Debt service	1,031,222	-	-	-	(1,031,222)
Total governmental activities	9,343,016	398,701	970,486	673,977	(7,299,852)
General revenues:					
FTE and other nonspecific revenues					6,304,052
Investment earnings and other revenues					42,521
Change in net position					(953,279)
Net position, beginning					1,707,474
Net position, ending					\$ 754,195

The accompanying notes are an integral part of this financial statement

Somerset Academy Charter High School
(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	\$ 91,750	\$ 63,439	\$ -	\$ 155,189
Investments	510,000	-	-	510,000
Due from other agencies	42,091	33,405	53,366	128,862
Due from fund	86,771	-	-	86,771
Prepaid expenses	67,181	-	-	67,181
Total Assets	797,793	96,844	53,366	948,003
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Salaries and wages payable	319,202	-	-	319,202
Accounts payable	228,268	-	-	228,268
Due to fund	-	33,405	53,366	86,771
Total Liabilities	547,470	33,405	53,366	634,241
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	67,181	-	-	67,181
Assigned	-	63,439	-	63,439
Unassigned	183,142	-	-	183,142
	250,323	63,439	-	313,762
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 797,793	\$ 96,844	\$ 53,366	\$ 948,003

The accompanying notes are an integral part of this financial statement

Somerset Academy Charter High School
(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 \$ 313,762

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

Depreciable and non-depreciable capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets, depreciable	2,472,915	
Less: accumulated depreciation	(1,811,721)	
Right of use lease asset	20,502,850	
Less: accumulated amortization	<u>(1,206,048)</u>	19,957,996

Deposit receivables in governmental activities are not financial resources and therefore are not reported in the governmental funds. 20,559

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. 736,060

Long term liability is not due and payable in the current period and, therefore, is not reported in governmental funds. (20,274,182)

Total Net Position - Governmental Activities \$ 754,195

The accompanying notes are an integral part of this financial statement

Somerset Academy Charter High School
(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 capital outlay funding	\$ -	\$ -	\$ 673,977	\$ 673,977
State passed through local	6,304,052	-	-	6,304,052
Federal sources	-	1,188,074	-	1,188,074
Lunch program	-	325,153	-	325,153
Charges and other revenue	42,521	358,474	-	400,995
Total Revenues	6,346,573	1,871,701	673,977	8,892,251
Expenditures:				
Current				
Instruction	2,915,347	653,141	-	3,568,488
Student support services	217,819	-	-	217,819
Instructional staff training	1,725	32,419	-	34,144
Board	58,695	-	-	58,695
General administration	35,091	-	-	35,091
School administration	669,701	-	-	669,701
Fiscal services	131,400	-	-	131,400
Food services	-	406,661	-	406,661
Central services	158,571	-	-	158,571
Operation of plant	863,977	-	-	863,977
Maintenance of plant	140,814	-	-	140,814
Administrative technology services	1,680	-	-	1,680
Community services	-	330,579	-	330,579
Capital Outlay:				
Right of use lease asset	-	-	20,502,850	20,502,850
Other capital outlay	36,250	-	-	36,250
Debt Service:				
Repayment of principal on long term liabilities	285,876	-	785,435	1,071,311
Interest expense	-	-	1,031,222	1,031,222
Total Expenditures	5,516,946	1,422,800	22,319,507	29,259,253
Excess (deficit) of revenues over expenditures	829,627	448,901	(21,645,530)	(20,367,002)
Other financing sources (uses):				
Transfers in (out)	(721,673)	(421,007)	1,142,680	-
Increase in lease liability	-	-	20,502,850	20,502,850
Repayment of long term advances	(300,000)	-	-	(300,000)
Net change in fund balance	(192,046)	27,894	-	(164,152)
Fund Balance at beginning of year	442,369	35,545	-	477,914
Fund Balance at end of year	\$ 250,323	\$ 63,439	\$ -	\$ 313,762

The accompanying notes are an integral part of this financial statement

Somerset Academy Charter High School
(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 \$ (164,152)

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, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation and amortization expense.

Capital Outlay	36,250	
Right of use leased asset capital outlay	20,502,850	
Depreciation and amortization expense	<u>(1,694,174)</u>	18,844,926

The proceeds from long term advances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of \$300,000 differed from proceeds of \$0 in the current period. 300,000

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. (502,514)

Increase in long term debt is revenue in the governmental funds, but a decrease or repayment of such payables reduces liabilities in the statement of net position.

Long-term debt issued	(20,502,850)	
Principal payments on long-term debt	<u>1,071,311</u>	<u>(19,431,539)</u>

Change in Net Position of Governmental Activities \$ (953,279)

The accompanying notes are an integral part of this financial statement

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Charter High School (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The Schools' 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 of directors has determined that no component units exist that would 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, 2033 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 Homestead, Florida for students from ninth through twelfth grade and is funded by the District. These financial statements are for the year ended June 30, 2022, when on average 874 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. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of 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 net 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)

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 which report 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.

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, 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 Outlay Fund – accounts for state and local capital outlay as authorized by Charter School Capital Outlay, Section 1013.62, Florida Statutes mainly for capital outlay and maintenance purposes.

Note 1 – Summary of Significant Accounting Policies (continued)

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. 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.

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. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, nonmarketable 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 3). 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.

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.

Prepaid Expenses and Other Current 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.

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 a 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.

Note 1 – Summary of Significant Accounting Policies (continued)

The right of 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.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for capital assets are as follows:

Building Improvements	10-20 Years
Furniture, Equipment, fixtures and software	3-5 Years
Right of use asset (building)	16 Years

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.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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, 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.

Note 1 – Summary of Significant Accounting Policies (continued)

- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for a specific purpose, it is the School'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 prepaid expenses. All nonspendable fund balances pertain to assets not in spendable form.
- 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. Assigned fund 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 6.

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 Charter High School
(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 period ended June 30, 2022:

	<u>Balance 07/01/21</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 06/30/22</u>
Capital Assets:				
Buildings and improvements	\$ 383,375	\$ 13,900	\$ -	\$ 397,275
Audio visual materials	519,562	-	-	519,562
Furniture, equipment and textbooks	1,533,728	22,350	-	1,556,078
Total Capital Assets	<u>\$ 2,436,665</u>	<u>\$ 36,250</u>	<u>\$ -</u>	<u>\$ 2,472,915</u>
Less Accumulated Depreciation:				
Buildings and improvements	(141,628)	(78,296)	-	(219,924)
Audio visual materials	(238,991)	(103,912)	-	(342,903)
Furniture, equipment and textbooks	(942,726)	(306,168)	-	(1,248,894)
Total Accumulated Depreciation	<u>(1,323,345)</u>	<u>(488,376)</u>	<u>-</u>	<u>(1,811,721)</u>
Capital Assets, net	<u>\$ 1,113,320</u>	<u>\$ (452,126)</u>	<u>\$ -</u>	<u>\$ 661,194</u>
Lease Assets:				
Right of use leased asset (building)	\$ -	\$ 20,502,850	\$ -	\$ 20,502,850
Less accumulated amortization:	-	(1,206,048)	-	(1,206,048)
Total Lease Assets being amortized, net	-	19,296,802	-	19,296,802
Governmental Activities Capital Assets, net	<u>\$ 1,113,320</u>	<u>\$ 18,844,676</u>	<u>\$ -</u>	<u>\$ 19,957,996</u>

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

	<u>Depreciation</u>	<u>Amortization</u>
Instruction	\$ 391,637	\$ -
School administration	9,127	-
Operation of plant	57,412	1,206,048
Maintenance of plant	30,200	-
Total Expense	<u>\$ 488,376</u>	<u>\$ 1,206,048</u>

Note 3 – Cash, Cash Equivalents 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 \$191,780.

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 \$1,790,000 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 (Regions Bank) 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. As of 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.

Note 3 – Cash, Cash Equivalents and Investments (Continued)

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 – Educational Service and Support Provider Agreement

Academica Dade, LLC, a professional education service and support provider, offers 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 and financial reporting and virtual education services. The agreement calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. for a period of five years, 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 \$394,200 in fees of which approximately \$164,000 are in accounts payable at year end.

Note 5 – Transactions with other divisions of Somerset Academy, Inc.

The School’s administrative staff and lunch program is shared with various schools. Revenues and expenses related to such program have been allocated based on FTE equivalent for purposes of presentation in the financial statements. Management allocates a proportionate share of salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment and usage of facilities and staff.

The School made long term, non-interest bearing advances to other schools under Somerset Academy, Inc.. The following schedule provides a summary of changes in long term receivables for the following year ended June 30, 2022.

	Balance 07/01/21	Proceeds	Repayments	Balance 06/30/22
Somerset Academy at Silver Palms	\$ 300,000	\$ -	\$ (300,000)	\$ -
Total Long Term Payables	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ (300,000)</u>	<u>\$ -</u>

Finally, Somerset Academy, Inc. (the “Corporation”) charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During 2022, the School paid \$175,200 to the Corporation for these shared costs.

Note 6 – Long Term Liabilities

The School entered into and security agreement on April 1, 2018, for subsequent years with Country Palm Holding, LLC for its 61,197 square feet facility. Initial fixed annual payments under this agreement (based on \$19.35 per square foot) are approximately \$1,184,162 adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. The agreement continues through June 30, 2038 with an option to renew for two additional five - years term each. Under the agreement, the School must meet certain covenants and requirements, including a “Lease Payment Coverage Ratio” of not less than 1.10 to 1.00 and maintaining a reserve for property expenses such as repairs, maintenance, taxes or insurance. Finally, under this agreement the School has granted a first lien on its pledged revenues, which include all revenues collected by the school from the Florida Department of Education, the District, and all other sources.

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. At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The School has used an average effective interest for several borrowings during FY 2021 and 2022. The average borrowing rate was 5% which was used to discount the annual lease payments to recognize the intangible right to use this asset and the lease liability as of June 30, 2022.

For the year ended June 30, 2022, interest expense totaled \$1,007,306, as it relates to its lease agreements. Annual requirements to amortize the lease liability and related interest are as follows:

Year	Principal	Interest	Total	
2023	\$ 825,621	\$ 967,121	\$ 1,792,742	
2024	867,861	924,880	1,792,741	
2025	912,262	880,479	1,792,741	
2026	958,935	833,806	1,792,741	
2027	1,007,996	784,745	1,792,741	
2028-2032	5,868,382	3,095,324	8,963,706	Total for a five year period
2033-2037	7,531,239	1,432,467	8,963,706	Total for a five year period
2038	1,745,119	47,624	1,792,743	
	<u>\$19,717,415</u>	<u>\$8,966,446</u>	<u>\$28,683,861</u>	

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

	Balance 07/01/21	Additions	Deletions	Balance 06/30/22
Lease liability	\$ -	\$20,502,850	\$785,435	\$19,717,415
	<u>\$ -</u>	<u>\$20,502,850</u>	<u>\$785,435</u>	<u>\$19,717,415</u>

Note 7 – Commitments, Contingencies and Concentrations

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 \$35,091.

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 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.

Note 8 – Long Term Debt

In July 2019, the School obtained equipment financing from a financial institution for a total amount of \$886,757. On November 16, 2020, the School refinanced the outstanding balance of that loan with two equipment financing loans from a separate financial institution. The loans mature between 3- 5 years from inception and bear interest at 3.25% – 3.50%.

The following schedule provides a summary of changes in long-term debt for the year:

	Balance <u>07/01/21</u>	Proceeds	Repayments	Balance <u>06/30/22</u>
Note Payable-Regions Bank	\$ 842,643	\$ -	\$ 285,876	\$ 556,767
Total Notes Payable	<u>\$ 842,643</u>	<u>\$ -</u>	<u>\$ 285,876</u>	<u>\$ 556,767</u>

Future minimum payments for the equipment loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$300,055	\$ 13,461
2024	\$164,037	\$ 5,037
2025	\$ 68,875	\$ 2,135
2026	\$ 23,800	\$ 172
	<u>\$556,767</u>	<u>\$ 20,805</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 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, Inc., a human resource management firm, typically known as “Professional Employer Organization” (PEO). Under a co-employment agreement, 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 - Interfund Transfers and Balances

Interfund transfers are as of June 30, 2022 consists of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund
To fund lunch deficit	\$ (81,507)	\$ 81,507	\$ -
To fund debt service payments	(1,142,680)	-	1,142,680
To fund federal expenditures for which revenues were not available	502,514	(502,514)	-
Total Transfers, net	<u>\$ (721,673)</u>	<u>\$ (421,007)</u>	<u>\$ 1,142,680</u>

Due from/(Due to) fund balances are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund
Due to general fund from capital projects fund for capital outlay	\$ 53,366	\$ -	\$ (53,366)
Due to General Fund from Special Revenue Fund for Title funds	33,405	(33,405)	-
Total Due from/(Due to)	<u>\$ 86,771</u>	<u>\$ (33,405)</u>	<u>\$ (53,366)</u>

Note 11 – Defined Contribution Retirement Plan

The School’s personnel, which 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 provides a match of 100% of the employee’s contribution up to 4% employee compensation. The School contributed to the Plan \$109,950 for the year ended June 30, 2022 . The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Charter High School
(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	\$ 6,207,043	\$ 6,257,820	\$ 6,304,052
Charges and other revenue	38,955	42,014	42,521
Total Revenues	<u>6,245,998</u>	<u>6,299,834</u>	<u>6,346,573</u>
EXPENDITURES			
Current:			
Instruction	2,959,120	2,918,815	2,915,347
Student support services	296,550	222,605	217,819
Instructional staff training	1,725	1,725	1,725
Board	59,375	58,787	58,695
General administration	38,091	37,127	35,091
School administration	675,656	670,556	669,701
Fiscal services	134,625	134,135	131,400
Central services	168,625	161,985	158,571
Operation of plant	881,756	865,300	863,977
Maintenance of plant	150,000	142,811	140,814
Administrative technology services	1,680	1,680	1,680
Total Current Expenditures	<u>5,367,203</u>	<u>5,215,526</u>	<u>5,194,820</u>
Excess of Revenues Over Current Expenditures	<u>878,795</u>	<u>1,084,308</u>	<u>1,151,753</u>
Capital Outlay:			
Other capital outlay	37,500	37,500	36,250
Debt Service :			
Repayment of principal on long term liabilities	-	285,876	285,876
Total Capital Outlay and Debt Service Expenditures	<u>37,500</u>	<u>323,376</u>	<u>322,126</u>
Excess of Revenues Over Expenditures	841,295	760,932	829,627
Other financing sources (uses):			
Transfers in (out)	(791,121)	(763,200)	(721,673)
Repayment of long term advances	-	(300,000)	(300,000)
Net change in fund balance	<u>50,174</u>	<u>(302,268)</u>	<u>(192,046)</u>
Fund Balance at beginning of year	<u>442,369</u>	<u>442,369</u>	<u>442,369</u>
Fund Balance at end of year	<u>\$ 492,543</u>	<u>\$ 140,101</u>	<u>\$ 250,323</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 Charter High School
(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	\$ 1,138,445	\$ 1,147,133	\$ 1,188,074
Lunch program	318,355	320,958	325,153
Charges and other revenue	352,784	355,474	358,474
Total Revenues	<u>1,809,584</u>	<u>1,823,565</u>	<u>1,871,701</u>
EXPENDITURES			
Current:			
Instruction	669,441	664,541	653,141
Instructional staff training	39,627	35,551	32,419
Food services	410,445	408,681	406,661
Community services	338,655	335,455	330,579
Total Current Expenditures	<u>1,458,168</u>	<u>1,444,228</u>	<u>1,422,800</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>351,416</u>	<u>379,337</u>	<u>448,901</u>
Capital Outlay:			
Other Capital Outlay	-	-	-
Total Capital Outlay Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,458,168</u>	<u>1,444,228</u>	<u>1,422,800</u>
Excess of Revenues Over Expenditures	351,416	379,337	448,901
Other financing sources (uses)			
Transfers in (out)	<u>(351,416)</u>	<u>(379,337)</u>	<u>(421,007)</u>
Net change in fund balance	-	-	27,894
Fund Balance at beginning of year	<u>35,545</u>	<u>35,545</u>	<u>35,545</u>
Fund Balance at end of year	<u>\$ 35,545</u>	<u>\$ 35,545</u>	<u>\$ 63,439</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 Charter High School
Homestead, 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 Charter High School (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) 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 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 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*.

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

Board of Directors of
Somerset Academy Charter High School
Homestead, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Charter High School as of and for the fiscal 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; and Chapter 10.850, Rules of the Auditor General.

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. We had no such findings or recommendations in the preceding 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 Charter High School, 7042.

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 Charter High School 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 Charter High 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 Somerset Academy Charter High School. It is management's responsibility to monitor Somerset Academy Charter High School financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendation 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 Charter High 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 Somerset Academy Charter High 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 us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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 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