



Somerset Academy Elementary School
(South Miami Campus)
W/L # 2007
(A charter school under Somerset Academy, Inc.)

Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2022

TABLE OF CONTENTS

General Information	1
Independent Auditors' Report.	2-4
Management's Discussion and Analysis (Required Supplementary Information)	5-9
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	10
Statement of Activities.	11
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds.	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.	15
<i>Notes to the Basic Financial Statements</i>	16-29
Required Supplementary Information:	
Budgetary comparison schedules	30-31
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 <i>Government Auditing Standards</i>	32-33
Management Letter	34-35

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

W/L # 2007

5876 Southwest 68th Street

Miami, Florida 33143

2021-2022

BOARD OF DIRECTORS

Todd German, Director, Board Chair (Florida)

Ana Diaz, Director, Secretary

David Concepcion, Director

Dr. Bernard Kimmel, Director

Brian M. Cox, Director (Texas)

SCHOOL ADMINISTRATION

Cecilia Guilarte, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President

Suzette Ruiz, Vice-President



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Academy Elementary School (South Miami Campus)
Miami, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Elementary School (South Miami Campus) (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 Elementary School (South Miami Campus) 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 Elementary School (South Miami Campus)'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 Somerset Academy Elementary School (South Miami Campus) 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 15, 2022

Management’s Discussion and Analysis
Somerset Academy Elementary School (South Miami Campus)
(A Charter school Under Somerset Academy, Inc.)
June 30, 2022

The corporate officers of Somerset Academy Elementary School (South Miami Campus) 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 at June 30, 2022 was \$5,365,126.
2. At year-end, the School had current assets on hand of \$2,587,117.
3. The School had an increase in its net position of \$443,859 for the year ended June 30, 2022.
4. The unassigned fund balance at year end was \$1,629,664.

Overview of the Financial Statements

This discussion and analysis is 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 under 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 page 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 \$5,365,126 at the close of the fiscal year. A summary of the School's net position as of June 30, 2022 and 2021 is as follows:

	2022	2021
Cash	\$ 575,449	\$ 215,222
Investments	1,450,000	1,990,000
Prepaid expenses	25,156	60,353
Due from other agencies	525,955	441,852
Other current assets	10,557	12,582
Due from other divisions of Somerset Academy, Inc.	-	352,364
Due from other divisions of Somerset Academy, Inc. (long term)	2,725,000	1,725,000
Capital and right-of-use assets, net	4,545,997	499,358
Total Assets	9,858,114	5,296,731
Deferred outflows of resources	-	-
Accounts Payable and accrued liabilities	340,734	306,888
Pre-K program fees received in advance	-	68,576
Lease liabilities	4,152,254	-
Total Liabilities	4,492,988	375,464
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets and long-term receivables	3,118,743	2,224,358
Restricted	28,892	-
Unrestricted	2,217,491	2,696,909
Total Net Position	\$5,365,126	\$ 4,921,267

At the end of both fiscal years, 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 years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
REVENUES		
Program Revenues		
Operating grants and contributions	\$ 339,374	\$ 398,804
Capital grants and contributions	326,381	301,998
Lunch program fees	143,647	68,937
Charges for services	588,602	350,239
General Revenues		
Local sources(FTE and other non specific)	3,916,950	3,659,124
Other revenues	230,100	261,371
Total Revenues	<u>\$ 5,545,054</u>	<u>\$ 5,040,473</u>
EXPENSES		
Governmental Activities:		
Instruction	\$ 2,642,758	\$ 2,243,352
Student support services	21,179	16,695
Instructional staff training	18,973	-
Board	30,314	29,933
School administration	486,194	520,786
Facilities acquisition	41,617	41,617
Fiscal services	82,950	72,975
Food services	114,755	62,334
Central services	111,947	95,680
Operation of plant	879,917	812,739
Maintenance of plant	212,428	176,121
Administrative technology services	22,548	24,657
Community services	181,447	64,520
Debt service	254,168	-
Total Expenses	<u>5,101,195</u>	<u>4,161,409</u>
Increase in Net Position	443,859	879,064
Net Position at Beginning of Year	<u>4,921,267</u>	<u>4,042,203</u>
Net Position at End of Year	<u>\$ 5,365,126</u>	<u>\$ 4,921,267</u>

The School's revenues and expenses increased by \$504,581 and \$939,786 in the current year. The School had an increase in its net position of \$443,859 for the year.

School Location and Lease of Facility

The School leases a facility located at 5876 Southwest 68th Street, Miami, Florida, 33143.

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 an average of 513 students enrolled in kindergarten through fifth grade.

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 \$1,654,820. The fund balance unassigned and available for spending at the School's discretion is \$1,629,664. 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 \$502,000 (net of accumulated depreciation) and right of use lease asset (building) of \$4,043,997 (net of accumulated amortization). This investment in capital assets includes right of use asset (building), building improvements, furniture, fixtures and computer equipment. As of June 30, 2022, the School had \$4,152,254 of long term debt related 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 total governmental funds (both general fund and special revenue funds) to demonstrate compliance with the School’s budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 326,501	\$ 326,501	\$ 326,381
Federal sources	432,608	295,965	309,277
Lunch fees	92,123	94,125	97,352
General Revenues			
FTE and other nonspecific revenues	3,746,085	3,901,833	3,916,950
Charges and other revenues	750,725	806,931	818,702
Total Revenues	<u>5,348,042</u>	<u>5,425,355</u>	<u>5,468,662</u>
CURRENT EXPENDITURES			
Governmental Activities:			
Instruction	3,108,297	2,655,826	2,606,418
Student support services	26,954	24,353	21,179
Instructional staff training	25,754	19,270	18,973
Board	35,188	34,695	30,314
School administration	539,186	483,123	481,738
Fiscal services	78,750	86,027	82,950
Food services	119,080	117,198	114,755
Central services	106,750	111,947	111,947
Operation of plant	363,974	331,736	329,072
Maintenance of plant	223,300	214,393	212,088
Administrative technology services	30,274	22,827	22,548
Community services	185,000	185,000	181,447
Total Current Expenditures	<u>\$ 4,842,507</u>	<u>\$ 4,286,395</u>	<u>\$ 4,213,429</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 Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Net Position
June 30, 2022

	<u>Primary Governmental Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash	\$ 575,449
Investments	1,450,000
Due from other agencies	525,955
Prepaid expenses	25,156
Other current assets	<u>10,557</u>
Total Current Assets	2,587,117
Due from other divisions of Somerset Academy, Inc	2,725,000
Capital assets, net:	
Capital assets, depreciable	1,246,423
Less: accumulated depreciation	(744,423)
Right-of-use lease asset	4,572,779
Less: accumulated amortization	<u>(528,782)</u>
Total capital assets, net	4,545,997
Total Assets	<u>9,858,114</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	154,602
Salaries and wages payable	186,132
Lease liability, current	<u>456,408</u>
Total Current Liabilities	797,142
Lease liability	<u>3,695,846</u>
Total Liabilities	4,492,988
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets and long-term receivables	3,118,743
Restricted	28,892
Unrestricted	<u>2,217,491</u>
Total Net Position	<u>\$ 5,365,126</u>

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

Somerset Academy Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Activities
For the year ended June 30, 2022

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
Instruction	\$2,642,758	\$ 378,692	\$ 299,222	\$ -	\$ (1,964,844)
Student support services	21,179	-	21,179	-	-
Instructional staff training	18,973	-	18,973	-	-
Board	30,314	-	-	-	(30,314)
School administration	486,194	-	-	-	(486,194)
Facilities acquisition	41,617	-	-	-	(41,617)
Fiscal services	82,950	-	-	-	(82,950)
Food services	114,755	97,352	46,295	-	28,892
Central services	111,947	-	-	-	(111,947)
Operation of plant	879,917	-	-	326,381	(553,536)
Maintenance of plant	212,428	7,112	-	-	(205,316)
Administrative technology services	22,548	-	-	-	(22,548)
Community services	181,447	202,798	-	-	21,351
Debt service	254,168	-	-	-	(254,168)
Total governmental activities	5,101,195	685,954	385,669	326,381	(3,703,191)

General revenues:

FTE and other nonspecific revenues	3,916,950
Other revenue	230,100

Change in net position 443,859

Net position, beginning 4,921,267

Net position, ending \$ 5,365,126

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

Somerset Academy Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 441,180	\$ 134,269	\$ -	\$ 575,449
Investments	1,450,000	-	-	1,450,000
Due from other agencies	24,632	19,550	24,479	68,661
Due from fund	44,029	-	-	44,029
Prepaid expenses	25,156	-	-	25,156
Other current assets	10,557	-	-	10,557
Total Assets	1,995,554	153,819	24,479	2,173,852
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Accounts payable	154,602	-	-	154,602
Salaries and wages payable	186,132	-	-	186,132
Due to fund	-	19,550	24,479	44,029
Total Liabilities	340,734	19,550	24,479	384,763
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund Balance</u>				
Nonspendable, not in spendable form	25,156	-	-	25,156
Assigned	-	105,377	-	105,377
Restricted	-	28,892	-	28,892
Unassigned	1,629,664	-	-	1,629,664
	1,654,820	134,269	-	1,789,089
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$1,995,554	\$ 153,819	\$ 24,479	\$ 2,173,852

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

Somerset Academy Elementary School (South Miami Campus)
 (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 \$ 1,789,089

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

Capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets	1,246,423	
Accumulated depreciation	(744,423)	
Right-of-use lease asset	4,572,779	
Less: accumulated amortization	<u>(528,782)</u>	4,545,997

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. 457,294

Long-term receivables from other divisions of Somerset Academy, Inc. in governmental activities are not financial resources and therefore are not reported in the governmental funds. 2,725,000

Long term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds. (4,152,254)

Total Net Position - Governmental Activities \$ 5,365,126

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

Somerset Academy Elementary School (South Miami Campus)
(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 Project Funds	Total Governmental Funds
Revenues:				
State capital outlay funding	\$ -	\$ -	\$ 326,381	\$ 326,381
State passed through local	3,916,950	-	-	3,916,950
Federal sources	-	309,277	-	309,277
Lunch fees	-	97,352	-	97,352
Charges and other revenue	615,904	202,798	-	818,702
Total Revenues	4,532,854	609,427	326,381	5,468,662
Expenditures:				
Current				
Instruction	2,332,753	273,665	-	2,606,418
Student support services	-	21,179	-	21,179
Instructional staff training	-	18,973	-	18,973
Board	30,314	-	-	30,314
School administration	481,738	-	-	481,738
Fiscal services	82,950	-	-	82,950
Food services	-	114,755	-	114,755
Central services	111,947	-	-	111,947
Operation of plant	329,072	-	-	329,072
Maintenance of plant	212,088	-	-	212,088
Administrative technology services	22,548	-	-	22,548
Community services	-	181,447	-	181,447
Capital Outlay:				
Right-of-use lease asset (building)	-	-	4,572,779	4,572,779
Other capital outlay	67,232	25,557	-	92,789
Debt Service:				
Repayment of Principal	-	-	435,193	435,193
Interest	-	-	254,168	254,168
Total Expenditures	3,670,642	635,576	5,262,140	9,568,358
Excess (deficit) of revenues over expenditures	862,212	(26,149)	(4,935,759)	(4,099,696)
Other financing sources (uses)				
Transfers in (out)	(439,372)	76,392	362,980	-
Increase in lease liabilities	-	-	4,572,779	4,572,779
Advances to other divisions of Somerset Academy, Inc.	(1,000,000)	-	-	(1,000,000)
Net change in fund balance	(577,160)	50,243	-	(526,917)
Fund Balance at beginning of year	2,231,980	84,027	-	2,316,007
Fund Balance at end of year	\$1,654,820	\$ 134,270	\$ -	\$ 1,789,090

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

Somerset Academy Elementary School (South Miami Campus)
 (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 \$ (526,917)

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 and amortization expense. This is the amount by which capital outlays differed from depreciation expense and disposals.

Capital outlays	92,789	
Right of use lease asset capital outlay	4,572,779	
Depreciation and amortization expense	(618,930)	4,046,638

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. 193,029

Prior year revenues recorded this year at the fund level (116,637)

Issuance of long term receivables represents a financial expenditure in the governmental funds, but increases assets in the statement of net position. Increase in long-term receivables is an expenditure in the governmental funds, but a decrease or collections of such receivables reduces long-term assets in the statement of net position. This is the amount by which the increase of \$1,000,000 in long-term receivables exceeded the collections of \$0 in the current period. 1,000,000

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

Long-term liabilities issued	(4,587,447)	
Principal payments on long-term liabilities	435,193	(4,152,254)

Change in Net Position of Governmental Activities \$ 443,859

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

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Elementary School (South Miami Campus) (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 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 Miami, Florida for students from kindergarten through fifth grades and is funded by the District. These financial statements are for the year ended June 30, 2022, when on average 513 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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Government-wide and Fund 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. Other revenue sources not properly included with program revenues are reported as general revenues. 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, liabilities, equity, revenues and expenditures. The School reports the following major governmental funds with all other 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 Projects Fund – accounts for state and local capital outlay as authorized by Charter School Capital Outlay, Section 1013.62, Florida Statutes, mainly for capital outlay 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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting-continued

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. 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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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.

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.

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. 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.

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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

Right-of-use asset (building)	8 Years
Improvements	10 - 20 Years
Furniture and equipment	5 Years
Software	3 Years

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.

Long-Term Debt and Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities 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 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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources (continued)

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 and long-term receivables- consists of capital assets net of accumulated depreciation and long-term receivables, reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets and long term receivables.
- 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 and long term receivables."

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

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund balance classifications (continued)

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 (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. As of June 30, 2022, there is \$105,377 in assigned cash in connection with 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.

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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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:

	Balance 07/01/21	Additions	Retirements / Reclassifications	Balance 06/30/22
Capital Assets, depreciable:				
Buildings and Improvements	\$ 965,976	\$ -	\$ -	\$ 965,976
Furniture, fixtures and equipment	149,640	49,012	(12,761)	185,891
Computer equipment and software	50,779	43,777	-	94,556
Total Capital Assets	<u>\$ 1,166,395</u>	<u>\$ 92,789</u>	<u>\$ (12,761)</u>	<u>\$1,246,423</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(537,687)	(49,352)	-	(587,039)
Furniture, fixtures and equipment	(110,211)	(18,776)	12,761	(116,226)
Computer equipment and software	(19,139)	(22,019)	-	(41,158)
Total Accumulated Depreciation	<u>(667,037)</u>	<u>(90,147)</u>	<u>12,761</u>	<u>(744,423)</u>
Total Capital Assets, being depreciated, net	<u>\$ 499,358</u>	<u>\$ 2,642</u>	<u>\$ -</u>	<u>\$ 502,000</u>
Lease Assets:				
Right of use lease asset (building)	\$ -	\$4,572,779	\$ -	\$4,572,779
Less accumulated amortization:	<u>-</u>	<u>(528,782)</u>	<u>-</u>	<u>(528,782)</u>
Total Lease Assets being amortized, net	<u>-</u>	<u>4,043,997</u>	<u>-</u>	<u>4,043,997</u>
Governmental Activities Capital Assets, net	<u>\$ 499,358</u>	<u>\$4,046,639</u>	<u>\$ -</u>	<u>\$4,545,997</u>

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 2 – Capital Assets (continued)

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	\$ 36,339	\$ -
School administration	4,456	-
Facilities acquisition	41,617	-
Operation of plant	7,395	528,782
Maintenance of plant	340	-
Total Expense	<u>\$ 90,147</u>	<u>\$ 528,782</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 \$547,000.

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 \$1,450,000 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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 3 – Cash and Investments (continued)

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 Services 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. 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 \$230,625 in fees. In addition, the School's pre-kindergarten program incurred approximately \$18,000 in fees.

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

For 2022, the School's facility was shared with Somerset Academy Charter Middle School – South Miami Campus, a charter school under Somerset Academy, Inc. Through the board of directors, management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment and usage of facilities and staff to these schools and other schools operated by Somerset Academy, Inc. As a result certain activities such as fundraising activities are recorded in the books of the School and not in those of Somerset Academy Charter Middle School – South Miami Campus.

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 \$76,875 to the Corporation for these shared costs

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

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

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

	Balance 07/01/21	Advances	Collections	Balance 06/30/22
Somerset Academy, Inc. (corporate)	\$1,500,000	\$1,000,000	\$ -	\$2,500,000
Somerset Bay	225,000	-	-	225,000
Total Long Term Receivables	<u>\$1,725,000</u>	<u>\$1,000,000</u>	<u>\$ -</u>	<u>\$2,725,000</u>

Note 6 – Long Term Liabilities

The School entered into a lease and security agreement with Somi Group, LLC, Inc. for its 27,269 square feet facility. The facility is shared with Somerset Academy South Miami Middle. The Landlord is an affiliate of the School's education services and support provider (See Note 4). Fixed annual payments under this agreement are approximately \$613,553, adjusted annually based on the greater of Consumer Price Index (CPI) or 3%. The agreement continues through July 31, 2029.

The School entered into an agreement with 59th Street Development for its facility locate at 5928 SW 68th Street, South Miami for its pre-kindergarten program. Fixed annual payments under this agreement are at approximately \$1,100 per student, adjusted annually based on Consumer Price Index (CPI). The agreement continues through June 30, 2039. The Landlord is an affiliate of the School's education services and support provider (See Note 4).

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 right of use asset and liability for Somi Group, LLC was allocated between School and Somerset Academy South Miami Middle based on enrollment and usage of facility. The allocation used for implementation, was approximately 21% for Somerset South Miami Middle and 79% for the School. The right of use lease asset and liability for 59th Street Development was solely allocated to the School. 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 \$218,781, as it relates to its lease agreements. For 2022, variable and other payments of 32,349 in connection with the lease agreement not previously included in the measurement of the lease liability were recorded in rent expense.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 6 – Long Term Liabilities (continued)

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

Year	Principal	Interest	Total	
2023	\$ 456,408	\$ 196,564	\$ 652,972	
2024	494,427	173,213	667,640	
2025	504,304	148,668	652,972	
2026	530,105	122,867	652,972	
2027	557,226	95,746	652,972	
2028-2032	1,318,044	157,624	1,475,668	(Total for a five year period)
2033-2038	291,740	46,707	338,447	(Total for a six year period)
	<u>\$ 4,152,254</u>	<u>\$ 941,390</u>	<u>\$ 5,093,644</u>	

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

	Balance 07/01/21	Additions	Repayments	Balance 06/30/22
Lease liability - SOMI Group, LLC	\$ -	\$3,925,758	\$(409,407)	\$3,516,351
Lease liability - 59th Street Development	-	647,021	(25,786)	621,235
Lease liability - deferred CPI	-	14,668	-	14,668
Total Long Term Liabilities	<u>\$ -</u>	<u>\$4,587,447</u>	<u>\$(435,193)</u>	<u>\$4,152,254</u>

Note 7 – Contingencies and ConcentrationContingencies 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.

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 \$38,082.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 8 – 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 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 9 – Interfund Transfers

Interfund transfers in governmental funds as of June 30, 2022 consist of the following:

	General Fund	Special Revenue Fund	Capital Project Fund
To fund lease liabilities payments from the general fund	\$ (362,980)	\$ -	\$ 362,980
To return net GEER federal expenditures funded by operating in prior year	116,637	(116,637)	-
To fund ESSER federal expenditures for which revenues were not available	(193,029)	193,029	-
Total Transfers, net	<u>\$ (439,372)</u>	<u>\$ 76,392</u>	<u>\$ 362,980</u>
Due from/(due to) balances:			
Due to General Fund from Capital Projects Fund for capital outlay	\$ 24,479	\$ -	\$ (24,479)
Due to General Fund from Special Revenue Fund for Title IV	19,550	(19,550)	-
Total Due from/(Due to)	<u>\$ 44,029</u>	<u>\$ (19,550)</u>	<u>\$ (24,479)</u>

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2022

Note 10 – 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 will match 100% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$63,104 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 Elementary School (South Miami Campus)
(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	\$ 3,746,085	\$ 3,901,833	\$ 3,916,950
Charges and other revenue	556,163	610,460	615,904
Total Revenues	<u>4,302,248</u>	<u>4,512,293</u>	<u>4,532,854</u>
EXPENDITURES			
Current:			
Instruction	2,478,212	2,349,956	2,332,753
Board	35,188	34,695	30,314
School administration	539,186	483,123	481,738
Fiscal services	78,750	86,027	82,950
Central services	106,750	111,947	111,947
Operation of plant	363,974	331,736	329,072
Maintenance of plant	223,300	214,393	212,088
Administrative technology services	30,274	22,827	22,548
Total Current Expenditures	<u>3,855,634</u>	<u>3,634,704</u>	<u>3,603,410</u>
Excess of Revenues Over Current Expenditures	<u>446,614</u>	<u>877,589</u>	<u>929,444</u>
Capital Outlay			
Other capital outlay	<u>68,125</u>	<u>68,125</u>	<u>67,232</u>
Total Expenditures	<u>3,923,759</u>	<u>3,702,829</u>	<u>3,670,642</u>
Excess of Revenues Over Expenditures	378,489	809,464	862,212
Other financing sources (uses):			
Transfers in (out)	(656,940)	(454,490)	(439,372)
Repayments to other charter school	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net change in fund balance	(278,451)	(645,026)	(577,160)
Fund Balance at beginning of year	<u>2,231,980</u>	<u>2,231,980</u>	<u>2,231,980</u>
Fund Balance at end of year	<u>\$ 1,953,529</u>	<u>\$ 1,586,954</u>	<u>\$ 1,654,820</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 Elementary School (South Miami Campus)
(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	\$ 432,608	\$ 295,965	\$ 309,277
Lunch program fees	92,123	94,125	97,352
Charges and other revenue	194,562	196,471	202,798
Total Revenues	719,293	586,561	609,427
EXPENDITURES			
Current:			
Instruction	630,085	305,870	273,665
Student support services	26,954	24,353	21,179
Instructional staff training	25,754	19,270	18,973
Food services	119,080	117,198	114,755
Community services	185,000	185,000	181,447
Total Current Expenditures	986,873	651,691	610,019
Deficit of Revenues Over Current Expenditures	(267,580)	(65,130)	(592)
Capital Outlay			
Other capital outlay	26,500	26,500	25,557
Total Expenditures	1,013,373	678,191	635,576
Excess (Deficit) of Revenues Over Expenditures	(294,080)	(91,630)	(26,149)
Other financing sources (uses)			
Transfers in (out)	294,080	91,630	76,392
Net change in fund balance	-	-	50,243
Fund Balance at beginning of year	84,027	84,027	84,027
Fund Balance at end of year	\$ 84,027	\$ 84,027	\$ 134,270

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*

Board of Directors of
Somerset Academy Elementary School (South Miami Campus)
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 Elementary School (South Miami Campus) (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

Board of Directors of
Somerset Academy Elementary School (South Miami Campus)
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Elementary School (South Miami Campus), Miami Florida, 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 schedule, 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 annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity 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 Elementary School (South Miami Campus), 2007.

Financial Condition and Management

Section 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 Elementary School (South Miami Campus) 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 Elementary School (South Miami Campus) 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 Elementary School (South Miami Campus). It is management’s responsibility to monitor Somerset Academy Elementary School (South Miami Campus)’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 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 Elementary School (South Miami Campus) 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 Elementary School (South Miami Campus) 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 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