



Somerset Academy St. Lucie
(A charter school under Somerset Academy, Inc. and Component Unit
of the School Board of St. Lucie County, Florida)
WL# 0703

Port St. Lucie, Florida

Financial Statements and
Independent Auditors' Report
June 30, 2020

TABLE OF CONTENTS

General Information	1
Independent Auditors' Report.	2-3
Management's Discussion and Analysis (Required Supplementary Information)	4-8
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position.	9
Statement of Activities.	10
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds.	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.	14
Statement of Net Position – Fiduciary Funds.	15
Notes to the Basic Financial Statements	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	34-36

Somerset Academy St. Lucie
(A Charter School under Somerset Academy, Inc.)
WL# 0703

4402 SW Yamada Dr.
Port St. Lucie, Florida 34953

2019-2020

BOARD OF DIRECTORS

Todd German, Board Chair (Florida), Treasurer, and Director
Ana Diaz, Secretary and Director
David Concepcion, Director
Louis Marin, Vice-Chair (Texas) and Director
Jennifer Esquijarosa, Director, resigned effective December 9, 2019
Dr. Bernard Kimmel, Director
Brian Matthew Cox, Director (Texas)

SCHOOL ADMINISTRATION

Joann Roach, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President
Suzette Ruiz, Vice-President

BOARD COUNSEL

Charles Gibson, Esq.
Eleni Pantaridis, Esq.



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Academy St. Lucie
Port St. Lucie, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Somerset Academy St. Lucie (the “School”) a charter school under Somerset Academy, Inc., which is a component unit of the District School Board of St. Lucie County, as of, and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Somerset Academy St. Lucie as of June 30, 2020, 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.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy St. Lucie as of June 30, 2020, and the respective changes in financial position for the year then ended, 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, 2020 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 4 through 8 and 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or 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 29, 2020, 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 29, 2020

CERTIFIED PUBLIC ACCOUNTANTS

Management's Discussion and Analysis
Somerset Academy St. Lucie
(A Charter School under Somerset Academy, Inc.)
June 30, 2020

The corporate officers of Somerset Academy, Inc. have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2020.

Financial Highlights

1. The net position of the School at June 30, 2020 was \$131,136.
2. At year-end, the School had current assets on hand of \$538,859.
3. The School had an increase in its net position of \$52,866 for the year ended June 30, 2020.
4. The unassigned fund balance at year end was \$86,324.

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, 2020 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 and deferred outflows of resources and liabilities and deferred inflows of resources. The difference between the two 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 9-10 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. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental 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 11 - 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, net position was \$131,136 at the close of the fiscal year. A summary of the School's net position as of June 30, 2020 and 2019 is as follows:

	2020	2019
Cash	\$ 24,772	\$ 68,516
Investments	399,000	584,000
Prepaid expenses and other current assets	42,431	500
Due from other agencies	72,656	30,211
Capital assets, net	611,879	827,489
Total Assets	1,150,738	1,510,716
Deferred outflows of resources	-	-
Accounts payable and accrued liabilities	372,700	199,493
Due to Somerset College Preparatory Academy	37,404	29,873
Due to Somerset Academy, Inc.	-	801,643
Long term debt	609,498	401,437
Total Liabilities	1,019,602	1,432,446
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	19,689	30,949
Unrestricted	111,447	47,321
Total Net Position	\$ 131,136	\$ 78,270

At the end of the fiscal year, the School is able to report positive balance in total net position. A summary and analysis of the School’s revenues and expenses for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
REVENUES		
Program Revenues		
Capital Grants and Contributions	\$ 342,676	\$ 304,408
Federal sources	72,656	57,750
General Revenues		
Local sources (FTE and other non specific)	4,292,254	3,237,074
Charges for services and other revenues	661,448	464,738
Total Revenues	<u>\$ 5,369,034</u>	<u>\$ 4,063,970</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 2,753,093	\$ 2,049,603
Instructional staff training	4,450	8,036
Board	31,601	26,888
School administration	623,859	456,041
Fiscal services	87,525	70,830
Central services	100,126	86,560
Pupil transportation services	199,607	182,582
Operation of plant	1,313,185	963,055
Maintenance of plant	135,440	179,039
Administrative technology services	34,711	36,315
Interest	32,571	24,358
Total Expenses	<u>5,316,168</u>	<u>4,083,307</u>
Change in Net Position	52,866	(19,337)
Net Position at Beginning of Year	<u>78,270</u>	<u>97,607</u>
Net Position at End of Year	<u>\$ 131,136</u>	<u>\$ 78,270</u>

During 2020, the School’s revenues and expenses increased by \$1,305,064 and \$1,232,861, respectively as a result of increase in enrollment. The School had an increase in its net position of \$52,866 for the year.

Achievements

In 2020, Somerset Academy St. Lucie served 584 students in grades K-5. Previously the school earned a letter grade of “A” under the State of Florida Accountability Program. Due to the COVID-19 pandemic, the Florida Department of Education suspended state-mandated assessments for the 2020 school year. However, data from the school-based internal assessments reflects that students made significant learning gains.

The mission of the Somerset Academy St. Lucie begins with providing an equitable environment that fosters the growth and success of all learners. The school’s objective is to create a collaborative effort between the school, the students, the parents and the community, creating a partnership that will lead to student achievement. The goal of this partnership is to develop responsible citizens who are critical thinkers and active learners. Students will participate in an

enriching and individualized academic program that will focus on increasing academic success and preparing them for the next level of education.

As a member of the Somerset Academy network of high quality charter schools, the school is fully accredited by AdvancED under the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI) division. As with all the schools within the network, Somerset College Preparatory Academy places high expectations for student learning and offers multiple opportunities for all students to acquire requisite knowledge, skills, and attitudes in a safe and nurturing environment. Key to achieving successful learning for all students is the school's implementation of research-based instructional strategies by a highly qualified instructional staff, and the use of innovative resources in a technology-rich setting.

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 \$128,755. The fund balance unassigned and available for spending at the School's discretion is \$86,324. These funds will be available for the School's future ongoing operations.

School Location and Lease of Facility

The School leases a facility located at 4402 SW Yamada Drive, Port St. Lucie, Florida 34953.

Capital Improvement Requirements

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

Capital Assets

The School's investment in capital assets as of June 30, 2020 amounts to \$611,879 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, furniture, fixtures, vehicles and computer equipment. As of June 30, 2020, the School had approximately \$600,000 in long-term debt associated to its capital assets and working capital.

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	\$ 302,500	\$ 350,925	\$ 342,676
Federal sources	57,750	73,000	72,656
General Revenues			
FTE nonspecific revenues	4,317,636	4,265,023	4,292,254
Charges and other revenues	421,982	633,475	661,448
Total Revenues	<u>5,099,868</u>	<u>5,322,423</u>	<u>5,369,034</u>
CURRENT EXPENDITURES			
Component Unit Activities			
Instruction	2,483,780	2,644,261	2,636,647
Instructional staff training	9,200	9,500	4,450
Board	30,825	32,081	31,601
School administration	519,836	625,905	623,771
Fiscal services	82,520	87,525	87,525
Central services	102,500	102,500	99,306
Pupil transportation services	55,000	91,388	76,921
Operation of plant	1,290,314	1,300,902	1,291,662
Maintenance of plant	79,388	118,000	116,864
Administrative technology services	38,563	39,334	34,711
Total Current Expenditures	<u>\$ 4,691,926</u>	<u>\$ 5,051,396</u>	<u>\$ 5,003,458</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 Broward, LLC, 6340 Sunset Drive, Miami, Florida 33143.

Somerset Academy St. Lucie
(A charter school under Somerset Academy, Inc.)
Statement of Net Position
June 30, 2020

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 24,772
Investments	399,000
Prepaid expenses and other current assets	42,431
Due from other agencies	<u>72,656</u>
Total Current Assets	538,859
Capital assets, depreciable	1,274,816
Less: accumulated depreciation	<u>(662,937)</u>
	<u>611,879</u>
Total Assets	<u>1,150,738</u>
 <u>Deferred Outflows of Resources</u>	 <u>-</u>
 <u>Liabilities</u>	
Current liabilities:	
Accounts payable	242,906
Due to Somerset College Preparatory Academy	37,404
Salaries and wages payable	129,794
Current portion of long term debt	<u>160,761</u>
Total Current Liabilities	570,865
Long term debt	<u>448,737</u>
Total Liabilities	1,019,602
 <u>Deferred Inflows of Resources</u>	 <u>-</u>
 <u>Net Position</u>	
Net investment in capital assets	19,689
Unrestricted	<u>111,447</u>
Total Net Position	<u>\$ 131,136</u>

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

Somerset Academy St. Lucie
(A charter school under Somerset Academy, Inc.)
Statement of Activities
For the year ended June 30, 2020

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 2,753,093	\$ 247,215	\$ 69,344	\$ -	\$ (2,436,534)
Instructional staff training	4,450	-	3,312	-	(1,138)
Board	31,601	-	-	-	(31,601)
School administration	623,859	-	-	-	(623,859)
Fiscal services	87,525	-	-	-	(87,525)
Central services	100,126	-	-	-	(100,126)
Pupil transportation services	199,607	-	-	-	(199,607)
Operation of plant	1,313,185	23,931	-	342,676	(946,578)
Maintenance of plant	135,440	-	-	-	(135,440)
Administrative technology services	34,711	-	-	-	(34,711)
Interest	32,571	-	-	-	(32,571)
Total governmental activities	5,316,168	271,146	72,656	342,676	(4,629,690)
General revenues:					
FTE and other nonspecific revenues					4,292,254
Other revenues					390,302
Change in net position					52,866
Net position, beginning					78,270
Net position, ending					\$ 131,136

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

Somerset Academy St. Lucie
(A charter school under Somerset Academy, Inc.)
Balance Sheet - Governmental Funds
June 30, 2020

	General Fund	Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 24,772	\$ -	\$ -	\$ 24,772
Investments	399,000	-	-	399,000
Due from other agencies	-	72,656	-	72,656
Due from fund	72,656	-	-	72,656
Prepaid expenses	42,431	-	-	42,431
Total Assets	<u>538,859</u>	<u>72,656</u>	<u>-</u>	<u>611,515</u>
<u>Deferred Outflows of Resources</u>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>				
Accounts payable	242,906	-	-	242,906
Due to Somerset College Preparatory Academy	37,404	-	-	37,404
Due to other fund	-	72,656	-	72,656
Salaries and wages payable	129,794	-	-	129,794
Total Liabilities	<u>410,104</u>	<u>72,656</u>	<u>-</u>	<u>482,760</u>
<u>Deferred Inflows of Resources</u>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balance</u>				
Nonspendable, not in spendable form	42,431	-	-	42,431
Unassigned	86,324	-	-	86,324
	<u>128,755</u>	<u>-</u>	<u>-</u>	<u>128,755</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 538,859</u>	<u>\$ 72,656</u>	<u>\$ -</u>	<u>\$ 611,515</u>

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

Somerset Academy St. Lucie
(A charter school under Somerset Academy, Inc.)
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balance - Governmental Funds \$ 128,755

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

Capital assets of \$1,274,816 net of accumulated depreciation of \$662,937 used in governmental activities are not financial resources and therefore are not reported in the fund. 611,879

Long-term liabilities of \$609,498 is not due and payable in the current period and therefore is not reported in the governmental funds. (609,498)

Total Net Position - Governmental Activities \$ 131,136

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

Somerset Academy St. Lucie

(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the year ended June 30, 2020

	General Fund	Non-Major Governmental Funds	Special Revenue Fund	Total Governmental Funds
Revenues:				
State capital outlay funding	\$ -	\$ 342,676	\$ -	\$ 342,676
State passed through local	4,292,254	-	-	4,292,254
Federal sources	-	-	72,656	72,656
Charges and other revenue	661,448	-	-	661,448
Total Revenues	4,953,702	342,676	72,656	5,369,034
Expenditures:				
Current				
Instruction	2,567,303	-	69,344	2,636,647
Instructional staff training	1,138	-	3,312	4,450
Board	31,601	-	-	31,601
School administration	623,771	-	-	623,771
Fiscal services	87,525	-	-	87,525
Central services	99,306	-	-	99,306
Pupil transportation services	76,921	-	-	76,921
Operation of plant	948,986	342,676	-	1,291,662
Maintenance of plant	116,864	-	-	116,864
Administrative technology services	34,711	-	-	34,711
Capital Outlay:				
Other capital outlay	64,529	-	-	64,529
Debt service:				
Repayment of capital lease and long term debt	-	146,497	-	146,497
Interest	-	32,571	-	32,571
Total Expenditures	4,652,655	521,744	72,656	5,247,055
Excess (deficit) of revenues over expenditures	301,047	(179,068)	-	121,979
Other financing sources (uses)				
Transfers in (out)	(179,068)	179,068	-	-
Proceeds from note payable	354,558	-	-	354,558
Repayments to Somerset Academy, Inc.	(801,643)	-	-	(801,643)
Net change in fund balance	(325,106)	-	-	(325,106)
Fund Balance at beginning of year	453,861	-	-	453,861
Fund Balance at end of year	\$ 128,755	\$ -	\$ -	\$ 128,755

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

Somerset Academy St. Lucie
(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, 2020

Net Change in Fund Balance - Governmental Funds \$ (325,106)

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 of \$64,529 differed from depreciation expense of \$280,139. (215,610)

The proceeds from debt issuance 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 \$948,140 exceeded proceeds of \$354,558 in the current period. 593,582

Change in Net Position of Governmental Activities \$ 52,866

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

Somerset Academy St. Lucie
 (A charter school under Somerset Academy, Inc.)
 Statement of Net Position - Fiduciary Funds
 June 30, 2020

	<u>Agency Fund: School's Internal Fund</u>
<u>Assets</u>	
Cash	\$ 12,460
Total Assets	<u>12,460</u>
<u>Deferred Outflows of Resources</u>	
	<u>-</u>
<u>Liabilities</u>	
Due to students and clubs	12,460
Total Liabilities	<u>12,460</u>
<u>Deferred Inflows of Resources</u>	
	<u>-</u>
<u>Net Position</u>	<u>\$ -</u>

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy St. Lucie (the "School"), is a component unit of the School Board of St. Lucie 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 six members and also governs other charter schools. The board of directors has determined that no component unit exists 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 St. Lucie County, Florida. The current charter contract expires on June 30, 2023 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 Port St. Lucie, Florida serving students from kindergarten through fifth grades and is funded by the District. These financial statements are for the year ended June 30, 2020, on average 584 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 for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of 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 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: student activity fees; (2) 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 and fiduciary funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow 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 and other grants that are legally restricted to expenditures for particular purposes.

Additionally, the School reports separately the following fiduciary fund types:

Agency Fund – accounts for resources of the School's Internal Fund, which is used to administer monies collected at the Schools in connection with school, student athletics, class, and club activities.

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.

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.

Fiduciary Funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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 and Investments

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

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB Codification Section 3100 *Fair Value Measurement and Application* (see Note 2).

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 cost a 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 disposed, the cost and applicable accumulated depreciation are removed from the respective 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.

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

Leasehold Improvements	3-5 Years
Furniture, Equipment, Computers and Software	3-5 Years
Vehicles	5 Years

Note 1 – Summary of Significant Accounting Policies (continued)

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. Employees may “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 maintain a minimum of twenty-one unused days in order to cash out. 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 compensated absences 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.

Revenue Sources

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

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

Note 1 – Summary of Significant Accounting Policies (continued)

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 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 balances 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 positions - all other balances that do not meet the definition of "restricted" or "net investments 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

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

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories and prepaid expenses.
- b) Restricted – this classification includes fund balance category 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.

Note 1 – Summary of Significant Accounting Policies (continued)

- d) Assigned - fund balance classification that is 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. There are no assigned fund balances at year end.
- 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.

Long –Term Debt

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.

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.

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 29, 2020, which is the date the financial statements were available to be issued.

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.

Note 2 – Cash and Investments

Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2020, the School's deposits consisted of cash balances of \$32,928.

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, 2020, bank balances in potential excess of FDIC coverage totaled \$57,448; including fiduciary account bank balances.

Investments

The School categorizes its fair value measurements within the fair value hierarchy established by GASB Codification Section 3100 *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, 2020, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$780,000 valued using Level 2 inputs.

The government 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, 2020, the fund's annual report, maturities of the fund's portfolio holdings are approximately 63% 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.

Note 2 – Cash and Investments (continued)

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2020, 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 3 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2020:

	Balance 07/01/19	Additions	Reclassification/ Retirements	Balance 06/30/20
Capital Assets:				
Computer equipment	\$ 278,225	\$ -	\$ -	\$ 278,225
Leasehold improvements	62,610	-	-	62,610
Furniture and equipment	343,655	64,529	-	408,184
Motor Vehicles	525,797	-	-	525,797
Total Capital Assets	<u>1,210,287</u>	<u>64,529</u>	<u>-</u>	<u>1,274,816</u>
Less Accumulated Depreciation:				
Computer equipment	(86,295)	(54,192)	-	(140,487)
Leasehold improvements	(24,373)	(12,522)	-	(36,895)
Furniture and equipment	(134,839)	(107,291)	-	(242,130)
Motor Vehicles	(137,291)	(106,134)	-	(243,425)
Total Accumulated Depreciation	<u>(382,798)</u>	<u>(280,139)</u>	<u>-</u>	<u>(662,937)</u>
Capital Assets, net	<u>\$ 827,489</u>	<u>\$ (215,610)</u>	<u>\$ -</u>	<u>\$ 611,879</u>

Note 3 –Capital Assets (continued)

For the fiscal year ended June 30, 2020, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	116,446
School administration		88
Central services		820
Pupil Transportation		122,686
Operation of plant		21,523
Maintenance of Plant		18,576
Total Depreciation Expense	\$	<u>280,139</u>

Note 4 –Education Service and Support Provider

Academica Broward, LLC, an 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, financial reporting and virtual education services. The agreement calls for a fee on a per student basis. The agreement is for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed for an additional five (5) years. During the year ended June 30, 2020, the School incurred \$262,575 in fees of which \$50,213 are recorded in accounts payable.

Academica Broward, LLC is located at 6340 Sunset Drive, Miami, Florida 33143.

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

Somerset Academy, Inc. charges its affiliated schools an assessment for shared corporate costs and accreditation expenses. The School paid Somerset Academy, Inc. \$87,525 in connection with these charges during the year.

During the year the School received non-interest bearing advances from Somerset Academy, Inc. The following represents the changes in long-term payables:

	Balance 07/01/19	Advances	Repayments	Balance 06/30/20
Due to Somerset Academy, Inc.	\$ 801,643	\$ -	\$ (801,643)	\$ -
Total Long Term Payables	<u>\$ 801,643</u>	<u>\$ -</u>	<u>\$ (801,643)</u>	<u>\$ -</u>

The School received recoverable grants from Somerset Academy, Inc. totaling \$864,924 (\$489,924:2018, \$100,000:2019, \$275,000:2020) with repayment contingent on the School subsequently meeting certain financial conditions. To date, management has determined that the School has not met the requirements under the grant terms. The maximum amount the School may be required to pay in the future should the School meet the requirements for repayment is \$864,924.

Note 6 – Transactions with District

The School entered into a food services agreement with the School Board of St. Lucie County (“Sponsor”) to provide a lunch program for its students. Revenues and expenses related to this program are recorded in the Sponsor’s books and not reflected in the School’s financial statements. The term of the agreement is from July 1, 2015 through June 30, 2016, unless canceled by either party upon thirty days written notice of desire to terminate the agreement. The agreement was extended through June 30, 2022.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2020, administrative fees withheld by the School District totaled \$90,282.

Note 7 – Long Term Debt

Notes Payable- Bus Loans

On July 26, 2017 the School obtained financing in the amount of \$525,797 to acquire five school buses. The terms of the loan agreement called for 84 consecutive monthly payments of principal and interest based on a 7 year straight amortization schedule. The notes bear an interest rate of 5.55% fixed with the first payment commencing on August 25, 2017 and a maturity date of July 25, 2024. The outstanding balance of the notes as of June 30, 2020 amounted to \$331,131. The School’s debt agreements contain various covenants, restrictions and financial test requirements. In the event an instance of default is not remedied, the maturity can be accelerated and / or the underlying collateral may be repossessed.

The following is a summary of changes in long term notes payable for the year ended June 30, 2020:

	<u>Balance</u> <u>07/01/19</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Balance</u> <u>06/30/20</u>
Notes Payable- Bus Loan	\$ 401,437	\$ -	\$ (70,306)	\$ 331,131
Total Debt	<u>\$ 401,437</u>	<u>\$ -</u>	<u>\$ (70,306)</u>	<u>\$ 331,131</u>

Interest expense for the year ended June 30, 2020 was \$20,509. Future maturities under the long-term notes payable as of June 30, 2020 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 74,309	\$ 16,506
2022	78,540	12,276
2023	83,011	7,804
2024	87,738	3,078
2025	7,533	35
Total	<u>\$ 331,131</u>	<u>\$ 39,699</u>

Note 7 - Long Term Debt (continued)

Equipment Financing

On July 2019, the School obtained equipment financing from a financial institution for a total amount of \$354,558. The agreement requires 48 monthly payments of principal and interest based on a fixed interest rate of 4.11%. As of June 30, 2020, the outstanding balance was \$278,367.

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

	Balance 07/01/19	Additions	Repayments	Balance 06/30/20
Due to Financial Institution	\$ -	\$ 354,558	\$ (76,191)	\$ 278,367
Total Long Term Debt	<u>\$ -</u>	<u>\$ 354,558</u>	<u>\$ (76,191)</u>	<u>\$ 278,367</u>

Interest expense for the year ended June 30, 2020 was \$12,062. Future minimum payments for the equipment loan are as follows:

Year	Principal	Interest
2021	\$ 86,452	\$ 9,824
2022	90,073	6,203
2023	101,842	2,458
	<u>\$ 278,367</u>	<u>\$ 18,485</u>

Note 8 – Commitments, Contingencies and Concentrations

Somerset Academy Foundation, Inc. entered into a lease agreement with Alliance XI, LLC for the School’s existing site. Somerset Academy Foundation, Inc. is a not-for-profit supporting organization of Somerset Academy, Inc. under Section 509(a)(3) of the Internal Revenue Code that shares common board members. In August 2018, Somerset Academy Foundation, Inc. purchased the School’s current site at 4402 SW Yamada Dr. Port St. Lucie, Florida 34953.

Effective August 1, 2018, the School entered into a facilities lease agreement with Somerset Academy Foundation, Inc. (a not for profit supporting organization of Somerset Academy, Inc. that share some board members) for the same facility. Initial fixed annual payments under this agreement are approximately \$71,921 per month (\$863,052 annually based on 42,100 sq. ft. of rentable space at \$20.50 per sq. ft.) with an enrollment discount of \$11,900 per month for the first year. The fixed rent for each successive lease year, commencing as of the beginning of the second lease year will be the fixed rent of the previous year multiplied by the greater of 1 or the change in the Consumer Price Index (CPI). The agreement continues through June 30, 2038 with an option to extend for two additional periods of five years. 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.

Note 8 – Commitments, Contingencies and Concentrations (continued)

Rent expense as of June 30, 2020 totaled \$863,050.

Future minimum payments under the lease agreement are as follows:

<u>Year</u>			
2021	\$	865,529	
2022	\$	865,529	
2023	\$	865,529	
2024	\$	865,529	
2025	\$	865,529	
2026-2030	\$	4,327,645	(total for five year period)
2031-2035	\$	4,327,645	(total for five year period)
2036-2038	\$	2,596,587	(total for three year period)

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.

The ongoing spread of the new COVID-19 has become a threat to the global economy and financial markets. As a result of the pandemic, the School will begin the 2020-2021 school year under distance learning. The ultimate effect of COVID-19 in the School and its future operations cannot presently be determined.

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.

Note 9 – Risk Management (continued)

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

Note 10 – Defined Contribution Retirement Plan

The School’s personnel, who are leased through ADP Total Source 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 contribution match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed \$62,624 to the Plan for the year ended June 30, 2020. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

Note 11 – Interfund Transfers

Interfund transfers in governmental funds as of June 30, 2020, consist of the following:

	General Fund	Special Revenue Fund	Non-Major Governmental Funds
To fund debt service fund for principal and interest payments	\$ (179,068)	\$ -	\$ 179,068
Total Transfers, net	<u>\$ (179,068)</u>	<u>\$ -</u>	<u>\$ 179,068</u>
Due from/(due to) balances:			
Due to General Fund from Special Revenue Fund for Title I & II Funds	\$ 72,656	\$ (72,656)	\$ -
Total Due from/(Due to)	<u>\$ 72,656</u>	<u>\$ (72,656)</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy St. Lucie
(A charter school under Somerset Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2020

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 4,317,636	\$ 4,265,023	\$ 4,292,254
Charges and other revenue	421,982	633,475	661,448
Total Revenues	<u>4,739,618</u>	<u>4,898,498</u>	<u>4,953,702</u>
EXPENDITURES			
Current:			
Instruction	2,430,230	2,574,761	2,567,303
Instructional staff training	5,000	6,000	1,138
Board	30,825	32,081	31,601
School administration	519,836	625,905	623,771
Fiscal services	82,520	87,525	87,525
Central services	102,500	102,500	99,306
Pupil transportation services	55,000	91,388	76,921
Operation of plant	987,814	949,977	948,986
Maintenance of plant	79,388	118,000	116,864
Administrative technology services	38,563	39,334	34,711
Total Current Expenditures	<u>4,331,676</u>	<u>4,627,471</u>	<u>4,588,126</u>
Excess/(Deficit) of Revenues Over Current Expenditures	<u>407,942</u>	<u>271,027</u>	<u>365,576</u>
Debt Service:			
Capital Outlay	65,000	65,000	64,529
Total Expenditures	<u>4,396,676</u>	<u>4,692,471</u>	<u>4,652,655</u>
Excess/(Deficit) of Revenues Over Expenditures	342,942	206,027	301,047
Other financing sources (uses):			
Transfers in (out)	(179,200)	(181,150)	(179,068)
Proceeds from note payable	150,000	350,000	354,558
Repayments to Somerset Academy, Inc.	-	(800,000)	(801,643)
Net change in fund balance	313,742	(425,123)	(325,106)
Fund Balance at beginning of year	<u>453,861</u>	<u>453,861</u>	<u>453,861</u>
Fund Balance at end of year	<u>\$ 767,603</u>	<u>\$ 28,738</u>	<u>\$ 128,755</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 St. Lucie
(A charter school under Somerset Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2020

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 57,750	\$ 73,000	\$ 72,656
Total Revenues	<u>57,750</u>	<u>73,000</u>	<u>72,656</u>
EXPENDITURES			
Current:			
Instruction	53,550	69,500	69,344
Instructional staff training	4,200	3,500	3,312
Total Current Expenditures	<u>57,750</u>	<u>73,000</u>	<u>72,656</u>
Excess of Revenues Over Current Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>57,750</u>	<u>73,000</u>	<u>72,656</u>
Excess of Revenues Over Expenditures	-	-	-
Other financing sources (uses)			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 St. Lucie
Port St. Lucie, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Somerset Academy St. Lucie (the “School”) as of, and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of 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 29, 2020 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 29, 2020



MANAGEMENT LETTER

To the Board of Directors of
Somerset Academy St. Lucie
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy St. Lucie, Florida as of and for the year ended June 30, 2020, and have issued our report thereon dated September 29, 2020.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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 29, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Corrective actions have been taken to address findings and 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 are Somerset Academy St. Lucie, 0703.

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

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

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Somerset Academy St. Lucie 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 St. Lucie maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Status of Prior Year Recommendations:

ML – 19-01 CAPITAL ASSETS

Recom-
mendation: We recommend that the School perform an annual inventory of all capital assets and reconcile to the capital asset ledgers recorded on the School's books.

Status: The School has adopted revised financial policies and procedures regarding capital assets to include a formal process of reconciling the capital asset inventory report to the School's trial balance.

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 St. Lucie County, Federal and other granting agencies, the Board of Directors, and applicable management, and Somerset Academy, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "HLB Gravier, CPA". The signature is written in a cursive style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2020