



Somerset Academy Eagle Campus

W/L# 1251

(A charter school under Somerset Academy, Inc.)
(A Charter School and Component Unit
of the School Board of Duval County, Florida)

Jacksonville, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2022

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Somerset Academy Eagle Campus
(A charter school under Somerset Academy, Inc.)
W/L# 1251

2100 Dunn Ave.
Jacksonville, Florida 32218

2021-2022

BOARD OF DIRECTORS

Todd German, Board Chair and Treasurer (Florida)
Ana Diaz, Vice-Chair and Secretary
David Concepcion, Director
Dr. Bernard Kimmel, Director
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SCHOOL ADMINISTRATION

Tunji Williams, Principal
Bernardo Montero, President
Suzette Ruiz, Vice President



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Academy Eagle Campus
Jacksonville, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Eagle Campus (the "School"), a charter school under Somerset Academy, Inc. and a component unit of the School Board of Duval County, 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 Eagle 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 Eagle 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 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 27, 2022

Management's Discussion and Analysis
Somerset Academy Eagle Campus
(A charter school under Somerset Academy, Inc.)
June 30, 2022

The corporate officers of Somerset Academy Eagle Campus have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2022.

Financial Highlights

1. The net position of the School as of June 30, 2022 was \$139,699.
2. At year-end, the School had current assets on hand of \$1,074,689.
3. The School had an increase in its net position of \$189,929 for the year ended June 30, 2022.
4. The unassigned fund balance at year end was \$451,067.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between the four 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. *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 general fund to demonstrate compliance with the School's budget.

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

Notes to Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, net position was \$139,699 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:

	<u>2022</u>	<u>2021</u>
Cash	\$ 157,661	\$ 19,214
Investments	630,000	390,000
Due from other agencies	151,990	184,383
Prepaid expenses and other assets	135,038	55,676
Capital and right-of-use assets, net	<u>3,685,012</u>	<u>100,674</u>
Total Assets	<u>4,759,701</u>	<u>749,947</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
Accounts payable and accrued liabilities	201,069	118,248
Due to landlord	15,752	16,929
Due to other divisions of Somerset Academy, Inc.	650,000	650,000
Long-term payable to Academica	15,000	15,000
Lease liability	<u>3,738,181</u>	<u>-</u>
Total Liabilities	<u>4,620,002</u>	<u>800,177</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Net Position:		
Restricted	271,610	-
Unrestricted	<u>(131,911)</u>	<u>(50,230)</u>
Total Net Position	<u>\$ 139,699</u>	<u>\$ (50,230)</u>

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

	<u>2022</u>	<u>2021</u>
REVENUES		
Program Revenues		
Operating grants and contributions	\$ 59,969	\$ 150,793
Capital grants and contributions	590,820	277,821
Federal sources	295,389	182,976
Lunch Program	17,194	4,572
Charges for Services	13,283	2,049
General Revenues		
Local Sources (FTE and other non specific revenues)	2,821,905	2,267,656
Other Revenues	5,289	29,926
Total Revenues	<u>\$ 3,803,849</u>	<u>\$ 2,915,793</u>
EXPENSES		
Instruction	\$ 1,695,939	\$ 1,469,206
Student support services	42,539	-
Instructional staff training	21,044	1,698
Board	21,958	18,058
General administration	3,715	-
School administration	490,537	343,791
Fiscal services	57,151	41,550
Food services	265,428	175,850
Central services	79,027	71,865
Student transportation services	34,003	32,338
Operation of plant	478,859	353,239
Maintenance of plant	143,934	101,077
Administrative Technology Services	24,294	-
Community Services	13,584	6,039
Debt service	241,908	3,666
Total Expenses	<u>3,613,920</u>	<u>2,618,377</u>
Increase in Net Position	189,929	297,416
Net Position at Beginning of Year	<u>(50,230)</u>	<u>(347,646)</u>
Net Position at End of Year	<u>\$ 139,699</u>	<u>\$ (50,230)</u>

The School's revenues and expenses increased by \$888,056 and \$995,543, respectively. The School had an increase in its net position of \$189,929.

School Location and Lease of Facility

The School leased facilities located at 2100 Dunn Avenue Jacksonville, Florida 32218.

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 381 students enrolled in grades kindergarten to 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. 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 \$586,105. The fund balance unassigned and available for spending at the School's discretion is \$451,067. 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 \$113,602 (net of accumulated depreciation) and right of use lease asset (building) \$3,571,410 (net of accumulated amortization). This investment in capital assets includes leasehold improvements, computer equipment and software and furniture, equipment, and textbooks. As of June 30, 2022, the School had \$4,403,181 in long-term liabilities associated to its capital assets and working capital.

New Accounting Pronouncements Adopted

As described in Note 6, the School adopted GASB Statement No, 87, Leases. The effect of the adoption was to capitalize a right of use asset (building) with a corresponding liability which is being amortized over the life of the underlying lease agreement. The overall impact on the financial statements was to record interest and amortization expense related to the underlying asset and liability which results in higher total expenses (compared to pre-adoption) during the early years of the lease agreement.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 254,851	\$ 254,851	\$ 253,197
Local sales tax capital outlay funding	338,651	338,651	337,623
Federal sources	334,006	353,244	355,358
Charges and other revenues	27,450	29,819	30,477
General Revenues			
FTE and other nonspecific revenues	2,813,321	2,815,274	2,821,905
Charges and other revenues	4,565	4,954	5,289
Total Revenues	<u>3,772,844</u>	<u>3,796,793</u>	<u>3,803,849</u>
CURRENT EXPENDITURES			
Component Unit Activities:			
Instruction	1,707,739	1,652,877	1,648,777
Student support services	48,190	44,203	42,539
Instructional staff training	24,338	25,944	21,044
Board	30,451	26,632	21,958
General administration	5,567	4,747	3,715
School administration	520,840	494,150	490,342
Fiscal services	61,350	60,985	57,151
Food services	270,510	266,783	264,005
Central services	91,350	81,201	79,027
Student transportation services	38,000	35,740	34,003
Operation of plant	280,405	276,641	271,915
Maintenance of plant	153,940	147,432	143,934
Administrative technology services	30,450	27,343	24,294
Community Services	18,565	16,289	13,584
Total Current Expenditures	<u>\$ 3,281,695</u>	<u>\$ 3,160,967</u>	<u>\$ 3,116,288</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 Eagle Campus
(A charter school under Somerset Academy, Inc.)

Statement of Net Position
June 30, 2022

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 157,661
Investments	630,000
Due from other agencies	151,990
Prepaid expenses and other assets	135,038
Total Current Assets	<u>1,074,689</u>
Capital assets, net:	
Capital assets, depreciable	305,889
Less: accumulated depreciation	(192,287)
Right-of-use lease asset	3,774,737
Less: accumulated amortization	(203,327)
Total capital assets, net	<u>3,685,012</u>
Total Assets	<u>4,759,701</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	135,446
Accounts payable	65,623
Due to other divisions of Somerset Academy, Inc.	15,752
Lease liability, current	88,497
Total Current Liabilities	<u>305,318</u>
Long-term payables to other divisions of Somerset Academy, Inc.	650,000
Long-term payable to Academica	15,000
Lease liability	3,649,684
Total Liabilities	<u>4,620,002</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	-
Restricted	271,610
Unrestricted	(131,911)
Total Net Position	<u>\$ 139,699</u>

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

Somerset Academy Eagle Campus
(A charter school under Somerset Academy, Inc.)

Statement of Activities
For the year ended June 30, 2022

FUNCTIONS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Instruction	\$ 1,695,939	\$ -	\$ 59,969	\$ -	\$ (1,635,970)
Student support services	42,539	-	-	-	(42,539)
Instructional staff training	21,044	-	-	-	(21,044)
Board	21,958	-	-	-	(21,958)
General administration	3,715	-	-	-	(3,715)
School administration	490,537	-	61,650	-	(428,887)
Fiscal services	57,151	-	-	-	(57,151)
Food services	265,428	17,194	233,739	-	(14,495)
Central services	79,027	-	-	-	(79,027)
Student transportation services	34,003	-	-	-	(34,003)
Operation of plant	478,859	-	-	590,820	111,961
Maintenance of plant	143,934	-	-	-	(143,934)
Administrative Technology Services	24,294	-	-	-	(24,294)
Community Services	13,584	13,283	-	-	(301)
Debt service	241,908	-	-	-	(241,908)
Total governmental activities	3,613,920	30,477	355,358	590,820	(2,637,265)

General revenues:

FTE and other nonspecific revenues	2,821,905
Other revenue	5,289

Change in net position 189,929

Net position, beginning	(50,230)
Net position, ending	\$ 139,699

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

Somerset Academy Eagle Campus
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2022

	General Fund	Special Revenue Funds	Capital Project Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 157,508	\$ 153	\$ -	\$ 157,661
Investments	358,390	-	271,610	630,000
Due from other agencies	-	58,810	93,180	151,990
Due from fund	151,990	-	-	151,990
Prepaid expenses and other assets	135,038	-	-	135,038
Total Assets	<u>802,926</u>	<u>58,963</u>	<u>364,790</u>	<u>1,226,679</u>
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Salaries and wages payable	135,446	-	-	135,446
Accounts payable	65,623	-	-	65,623
Due to fund	-	58,810	93,180	151,990
Due to landlord	15,752	-	-	15,752
Total Liabilities	<u>216,821</u>	<u>58,810</u>	<u>93,180</u>	<u>368,811</u>
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	135,038	-	-	135,038
Restricted	-	-	271,610	271,610
Assigned	-	153	-	153
Unassigned	451,067	-	-	451,067
	<u>586,105</u>	<u>153</u>	<u>271,610</u>	<u>857,868</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 802,926</u>	<u>\$ 58,963</u>	<u>\$ 364,790</u>	<u>\$ 1,226,679</u>

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

Somerset Academy Eagle 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 \$ 857,868

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

Depreciable and non-depreciable 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, depreciable	305,889	
Less: accumulated depreciation	(192,287)	
Right-of-use lease asset	3,774,737	
Less: accumulated amortization	<u>(203,327)</u>	3,685,012

Long term payables to schools and education services and support provider in governmental activities are not financial resources and therefore are not reported in the governmental funds. (665,000)

Long term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds. (3,738,181)

Total Net Position - Governmental Activities \$ 139,699

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

Somerset Academy Eagle 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 Funds	Capital Project Funds	Total Governmental Funds
Revenues:				
State capital outlay funding	\$ -	\$ -	\$ 253,197	\$ 253,197
Local sales tax capital outlay funding	-	-	337,623	337,623
State passed through local	2,821,905	-	-	2,821,905
Federal sources	-	355,358	-	355,358
Lunch program fees	-	17,194	-	17,194
Charges and other revenue	5,289	13,283	-	18,572
Total Revenues	2,827,194	385,835	590,820	3,803,849
Expenditures:				
Current				
Instruction	1,594,263	54,514	-	1,648,777
Student support services	42,539	-	-	42,539
Instructional staff training	21,044	-	-	21,044
Board	21,958	-	-	21,958
General administration	3,715	-	-	3,715
School administration	428,692	61,650	-	490,342
Fiscal services	57,151	-	-	57,151
Food services	-	264,005	-	264,005
Central services	79,027	-	-	79,027
Student transportation services	34,003	-	-	34,003
Operation of plant	181,169	-	90,746	271,915
Maintenance of plant	143,934	-	-	143,934
Administrative technology services	24,294	-	-	24,294
Community Services	-	13,584	-	13,584
Capital Outlay:				
Right-of-use lease asset (building)	-	-	3,774,737	3,774,737
Other capital outlay	59,870	5,455	-	65,325
Debt Service:				
Repayment of long-term liabilities	-	-	36,556	36,556
Interest	-	-	191,908	191,908
Total Expenditures	2,691,659	399,208	4,093,947	7,184,814
Excess (deficit) of revenues over expenditures	135,535	(13,373)	(3,503,127)	(3,380,965)
Other financing sources (uses)				
Transfers in (out)	(13,072)	13,072	-	-
Increase in lease liabilities	-	-	3,774,737	3,774,737
Recoverable grant repayment	(50,000)	-	-	(50,000)
Net change in fund balance	72,463	(301)	271,610	343,772
Fund Balance at beginning of year	513,642	454	-	514,096
Fund Balance at end of year	\$ 586,105	\$ 153	\$ 271,610	\$ 857,868

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

Somerset Academy Eagle 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 \$ 343,772

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 and amortization expense.

Capital outlays	65,325	
Right of use lease asset capital outlay	3,774,737	
Depreciation and amortization expense	<u>(255,724)</u>	3,584,338

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.

Increases in long-term liabilities	(3,774,737)	
Principal payments on long-term liabilities	<u>36,556</u>	<u>(3,738,181)</u>

Change in Net Position of Governmental Activities \$ 189,929

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Eagle Campus (the "School"), is a component unit of the School Board of Duval 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 Duval County, Florida. The current charter expires on June 30, 2025 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 Jacksonville, 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 381 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.

Government-Wide and Fund Financial Statements

Government-wide Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay.

Note 1 – Summary of Significant Accounting Policies (continued)

In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues, and other miscellaneous sources.

Fund Financial Statements

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

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

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

Capital 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.

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. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other miscellaneous sources.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Note 1 – Summary of Significant Accounting Policies (continued)

“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, Cash Equivalents and Investments

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

The School has not adopted a formal deposit and investment policy that limits the School’s allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, *Fair Value Measurement and Application*, and other related standards which establish accounting and financial reporting standards for all investments (see Note 3). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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

Right-of-use asset (building)	19 Years
Improvements	5 Years
Furniture, Equipment and Software	5 Years
Textbooks	3 Years

Deferred Outflows/Inflows of Resources

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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 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.

Note 1 – Summary of Significant Accounting Policies (continued)

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District. Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Net Position and Fund Balance Classifications

Government-wide financial statements

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

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net 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 position - all other net balances that do not meet the definition of "restricted" or "net investment in capital assets"

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

Fund financial statements

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balances associated with inventories and prepaid expenses.
- 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. Restricted fund balances at year end pertain to local capital outlay funds restricted for particular purposes.

Note 1 – Summary of Significant Accounting Policies (continued)

- 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 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. Assigned balances at year end are attributable to the School's Internal Account.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

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

Income Taxes

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

New Accounting Standard Adopted

In fiscal year 2022, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: Statement No. 87 Leases. See Note 6.

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

Pronouncements Issued But Not Yet Effective

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 27, 2022 which is the date the financial statements were available to be issued.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

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	Transfers In / Additions	Retirements / Reclassifications	Balance 06/30/22
Capital Assets, depreciable:				
Buildings improvements	\$ 3,564	\$ -	\$ -	\$ 3,564
Furniture, fixtures and equipment	117,815	5,500	-	123,315
Computer hardware	119,185	59,825	-	179,010
Total Capital Assets	240,564	65,325	-	305,889
Less Accumulated Depreciation:				
Buildings and improvements	(297)	(713)	-	(1,010)
Furniture, fixtures and equipment	(73,010)	(19,549)	-	(92,559)
Computer hardware	(66,583)	(32,135)	-	(98,718)
Total Accumulated Depreciation	(139,890)	(52,397)	-	(192,287)
Total Capital Assets, being depreciated, net	\$ 100,674	\$ 12,928	\$ -	\$ 113,602
Lease Assets:				
Right of use lease asset (building)	\$ -	\$ 3,774,737		\$3,774,737
Less accumulated amortization:	-	(203,327)		(203,327)
Total Lease Assets being amortized, net	-	3,571,410		3,571,410
Governmental Activities Capital Assets, net	\$ 100,674	\$ 3,584,338	\$ -	\$3,685,012

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

	Depreciation	Amortization
Instruction	\$ 47,164	\$ -
School administration	195	-
Food service	1,423	-
Operation of plant	3,617	203,327
Total Expense	<u>\$ 52,399</u>	<u>\$ 203,327</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 \$145,000.

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 \$630,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2022, maturities of the fund's portfolio holdings are approximately 87% within 30 days.

Credit Risk

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

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

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

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

Note 4 – Education Services and Support Provider Agreement

Academica Broward, LLC, an education services 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. The agreement calls for a fee per full time equivalent (FTE) student per year. The agreement is with Somerset Academy, Inc., through June 30, 2023, and unless terminated by the board shall be renewed an additional term of five years. During the year ended June 30, 2022, the School incurred \$171,451 in fees.

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

The School received a recoverable grant of \$250,000 for the year ended June 30, 2019 from Academica Management, LLC. Repayment of these grants are contingent on the school subsequently meeting certain financial conditions. The maximum amount the School may be required to pay in the future should the school meet the requirements for repayment is \$250,000.

The following schedule provides a summary of changes in long-term advances from Academica for the year ended June 30, 2022:

	Balance 07/01/21	Transfers In / Additions	Repayments	Balance 06/30/22
Academica Broward, LLC	\$ 15,000	\$ -	\$ -	\$ 15,000
Total Long Term payables	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000</u>

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

Somerset Academy, Inc. operates various charter schools. Somerset Academy, Inc. charges its affiliated schools an assessment for shared corporate costs and accreditation expenses. Somerset Academy Eagle Campus paid Somerset Academy, Inc. \$57,150 in connection with these charges during the year.

For the years ended June 30, 2014 through June 30, 2020, the School received recoverable grants totaling \$1,979,690, from Somerset Academy, Inc. Repayment of these grants are contingent on the school subsequently meeting certain financial conditions. The School has met the requirements for repayment as of June 30, 2022, and has recognized \$50,000 in debt service expense in the statement of activities.

In addition, on July 1, 2019, the School assumed \$715,000 of recoverable grants received by Somerset Academy Preparatory. The maximum amount the School may be required to pay in the future should the school meet the requirements for repayment is \$2,644,690.

Note 5 – Transactions With Other Divisions of Somerset Academy, Inc. (continued)

The following schedule provides a summary of changes in long-term advances from other divisions of Somerset Academy, Inc. for the year ended June 30, 2022:

	Balance 07/01/21	Transfers In / Additions	Repayments	Balance 06/30/22
Somerset Academy, Inc.	\$650,000	\$ -	\$ 50,000	\$ 600,000
Total Long Term payables	<u>\$650,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 600,000</u>

Note 6 – Long Term Liabilities

For the 2020-2021 school year, the School moved to a new facility located at 2100 Dunn Avenue Jacksonville, Florida 32218, and entered into a lease agreement Charter DC Jacksonville, LLC for its facility. The landlord is an affiliate of the School’s educational service provider (See Note 4). This facility will be shared with Somerset Academy Eagle Middle (a charter school under Somerset Academy, Inc.) Fixed payments under this agreement shall be based on \$680 per full time equivalent (FTE) students for the 2020-2021 year with a minimum of \$250,000, adjusted annually and commencing on the second lease year based on the Consumer Price Index, plus additional property costs including repairs, maintenance and insurance. The per-student fixed rent will increase each year, if student enrollment exceeds 625 students in the applicable lease year. The agreement continues through June 30, 2040, with an option to renew for three additional successive periods of ten years each. Under the agreement, Somerset Academy, Inc. must meet certain requirements and covenants.

The School has implemented GASB Statement No. 87 Leases, and as a result recorded a lease right of use asset and liability in these financial statements. The lease right of use asset and liability were allocated between School and Somerset Academy Eagle Middle based on enrollment and usage of facility. The allocation used for implementation, was approximately 36% for Somerset Academy Eagle Middle and 64% for 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 \$191,908, as it relates to its lease agreements. For 2022, variable and other payments of \$32,408 in connection with the lease agreement not previously included in the measurement of the lease liability were recorded in rent expense.

Note 6 – Long Term Liabilities (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2023	\$ 88,497	\$ 184,962	\$ 273,459	
2024	121,577	179,786	301,363	
2025	147,784	173,112	320,896	
2026	155,345	165,551	320,896	
2027	163,293	157,603	320,896	
2028-2032	950,661	653,819	1,604,480	(Total for a five year period.)
2033-2037	1,220,040	384,440	1,604,480	(Total for a five year period.)
2038-2040	890,984	70,445	961,429	(Total for a three year period.)
	<u>\$ 3,738,181</u>	<u>\$ 1,969,718</u>	<u>\$ 5,707,899</u>	

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

	<u>Balance 07/01/21</u>	<u>Additions</u>	<u>Retirements / Payments</u>	<u>Balance 06/30/22</u>
Lease liability	<u>\$ -</u>	<u>\$ 3,774,737</u>	<u>\$ (36,556)</u>	<u>\$ 3,738,181</u>
Total Lease Liabilities	<u>\$ -</u>	<u>\$ 3,774,737</u>	<u>\$ (36,556)</u>	<u>\$ 3,738,181</u>

Note 7 – Contingencies and Concentrations

Contingencies and Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to 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 5% (or 2% if the school is high performing) of the qualifying revenues of the School. For the year ended June 30, 2022, administrative fees withheld by the School District totaled \$92,435.

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 in any of the past three fiscal years. In addition, there were no reductions in insurance coverage from those in the prior year.

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

Note 9 – Defined Contribution Retirement Plan

The School’s personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed to the Plan \$38,523 for the year ended June 30, 2022. The School does not exercise any control or fiduciary responsibility over the plan’s assets, which are administered by Voya Financial.

Note 10 – Interfund Transfers

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

	General Fund	Special Revenue Fund	Capital Projects Fund
To transfer lunch deficit	\$ (13,072)	\$ 13,072	\$ -
Total Transfers, net	<u>\$ (13,072)</u>	<u>\$ 13,072</u>	<u>\$ -</u>
	General Fund	Special Revenue Fund	Capital Projects Fund
Due to General Fund from Capital Projects Fund for capital outlay	\$ 93,180	\$ -	\$ (93,180)
Due to General Fund from Special Revenue Fund for Title I & IV	58,810	(58,810)	-
Total Due from/(Due to)	<u>\$ 151,990</u>	<u>\$ (58,810)</u>	<u>\$ (93,180)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Eagle 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	\$ 2,813,321	\$ 2,815,274	\$ 2,821,905
Charges and other revenue	4,565	4,954	5,289
Total Revenues	2,817,886	2,820,228	2,827,194
EXPENDITURES			
Current:			
Instruction	1,610,034	1,597,562	1,594,263
Student support services	48,190	44,203	42,539
Instructional staff training	24,338	25,944	21,044
Board	30,451	26,632	21,958
General administration	5,567	4,747	3,715
School administration	454,989	430,686	428,692
Fiscal services	61,350	60,985	57,151
Central services	91,350	81,201	79,027
Student transportation services	38,000	35,740	34,003
Operation of plant	189,554	185,790	181,169
Maintenance of plant	153,940	147,432	143,934
Administrative technology services	30,450	27,343	24,294
Total Current Expenditures	2,738,213	2,668,265	2,631,789
Excess of Revenues Over Current Expenditures	79,673	151,963	195,405
Capital Outlay	60,122	60,122	59,870
Total Expenditures	2,798,335	2,728,387	2,691,659
Excess (deficit) of Revenues Over Expenditures	19,551	91,841	135,535
Other financing sources (uses):			
Transfers in (out)	(370,866)	(298,479)	(13,072)
Long term advances from other schools, net	(50,000)	(50,000)	(50,000)
Net change in fund balance	(401,315)	(256,638)	72,463
Fund Balance at beginning of year	513,642	513,642	513,642
Fund Balance at end of year	\$ 112,327	\$ 257,004	\$ 586,105

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 Eagle 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	\$ 334,006	\$ 353,244	\$ 355,358
Charges and other revenue	27,450	29,819	30,477
Total Revenues	<u>361,456</u>	<u>383,063</u>	<u>385,835</u>
EXPENDITURES			
Current:			
Instruction	97,705	55,315	54,514
School administration	65,851	63,464	61,650
Food services	270,510	266,783	264,005
Community services	18,565	16,289	13,584
Total Current Expenditures	<u>452,631</u>	<u>401,851</u>	<u>393,753</u>
Deficit of Revenues Over Current Expenditures	<u>(91,175)</u>	<u>(18,788)</u>	<u>(7,918)</u>
Capital Outlay	<u>5,504</u>	<u>5,504</u>	<u>5,455</u>
Total Expenditures	<u>458,135</u>	<u>407,355</u>	<u>399,208</u>
Deficit Over Expenditures	(96,679)	(24,292)	(13,373)
Other financing sources (uses)			
Transfers in (out)	<u>96,679</u>	<u>24,292</u>	<u>13,072</u>
Net change in fund balance	-	-	(301)
Fund Balance at beginning of year	<u>454</u>	<u>454</u>	<u>454</u>
Fund Balance at end of year	<u>\$ 454</u>	<u>\$ 454</u>	<u>\$ 153</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 Eagle Campus
Jacksonville, 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 Eagle 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 27, 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 pursuant to Chapter 10.850, Rules of the Auditor General dated September 27, 2022.

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 27, 2022



MANAGEMENT LETTER

To the Board of Directors of
Somerset Academy Eagle Campus
Jacksonville, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Eagle Campus, Jacksonville, Florida, as of and for the fiscal year ended June 30, 2022 and have issued our report thereon dated September 27, 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 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 27, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

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

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity is Somerset Academy Eagle Campus, 1251.

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 Eagle 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 Eagle 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 Eagle Campus. It is management's responsibility to monitor Somerset Academy Eagle 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 communicate any recommendation to improve financial management. In connection with our audit, we did not have any recommendations.

Transparency

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we had the following recommendations:

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to report the results of our determination as to whether Somerset Academy Eagle 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 Eagle 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 which warrants the attention of those charged with governance. In connection with our audit, we do not have any such recommendations.

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 Duval 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 27, 2022