



Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.
and Component Unit
of the School Board of St. Lucie County, Florida)
WL# 0712

Port St. Lucie, Florida

Financial Statements and
Independent Auditors' Report
June 30, 2023

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Somerset College Preparatory Academy
(A Charter School under Somerset Academy, Inc.)
WL# 0712

725 NW California Blvd
Port St. Lucie, Florida 34986

2022-2023

BOARD OF DIRECTORS

Todd German, Board Chair (Florida), Treasurer, and Director
Ana Diaz, Secretary, Vice-Chair and Director
David Concepcion, Director
Brian Mathew Cox, Director (Texas)

SCHOOL ADMINISTRATION

Erika Rains, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President
Suzette Ruiz, Vice-President



INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset College Preparatory Academy (the “School”), a charter school under Somerset Academy, Inc., as of, and for the year ended June 30, 2023, 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 College Preparatory Academy as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of a Matter – Related Party Transactions

As described in Note 5 to the financial statements, the School relies on significant support from Somerset Academy, Inc. 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 College Preparatory Academy 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, 2023 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 31 to 32 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 29, 2023 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, 2023

CERTIFIED PUBLIC ACCOUNTANTS

Management’s Discussion and Analysis
Somerset College Preparatory Academy
(A Charter School under Somerset Academy, Inc.)
June 30, 2023

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, 2023.

Financial Highlights

1. The net position of the School at June 30, 2023 was \$229,296.
2. At year-end, the School had current assets on hand of \$1,830,251.
3. The School had an increase in its net position of \$219,515 for the year ended June 30, 2023.
4. The unassigned fund balance at year end was \$967,189.

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, 2023 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 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 its major governmental funds to demonstrate compliance with the School's budget.

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

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16 – 30 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 \$229,296 at the close of the fiscal year. A summary of the School's net position as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 597,377	\$ 157,870
Investments	640,000	897,000
Prepaid expenses and other current assets	271,456	49,899
Due from other agencies	321,418	46,149
Deposits	8,799	8,799
Capital and right of use assets, net	<u>22,526,450</u>	<u>23,992,445</u>
Total Assets	<u>24,365,500</u>	<u>25,152,162</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
Accounts payable and accrued liabilities	328,836	595,201
Lease liability	23,173,619	23,530,344
Notes payable	<u>633,749</u>	<u>1,016,836</u>
Total Liabilities	<u>24,136,204</u>	<u>25,142,381</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Net Position:		
Net investment in capital assets	(1,280,918)	(554,735)
Unrestricted	<u>1,510,214</u>	<u>564,516</u>
Total Net Position	<u>\$ 229,296</u>	<u>\$ 9,781</u>

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

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
REVENUES		
Program Revenues		
Capital Grants and Contributions	\$ 886,509	\$ 728,014
Federal Sources	626,131	577,185
Charges for Services and Other Revenues	438,942	250,109
General Revenues		
Local sources (FTE and other non specific)	9,861,375	7,522,411
Other revenues	561,942	340,599
Total Revenues	<u>\$ 12,374,899</u>	<u>\$ 9,418,318</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 5,196,809	\$ 3,848,868
Student support services	333,345	224,370
Instructional staff training	39,887	4,069
Board	67,758	59,626
School administration	1,124,310	964,671
Fiscal services	199,500	170,175
Food services	-	386
Central services	203,259	216,180
Pupil transportation services	519,754	316,530
Operation of plant	2,693,314	2,357,143
Maintenance of plant	176,911	181,365
Administrative technology services	57,661	80,573
Community services	335,847	211,217
Debt service	1,207,029	1,239,055
Total Expenses	<u>12,155,384</u>	<u>9,874,228</u>
Change in Net Position	219,515	(455,910)
Net Position at Beginning of Year	9,781	465,691
Net Position at End of Year	<u>\$ 229,296</u>	<u>\$ 9,781</u>

In 2023, the school's revenue and expenses increased by \$2,956,581 and \$2,281,156, respectively. The School had a increase in its net position of \$219,515 for the year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

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

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

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$1,238,645 and an unassigned fund balance of \$967,189. 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 725 NW California Boulevard, Port St. Lucie, Florida 34986.

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, 2023 amounts to \$1,008,652 (net of accumulated depreciation) and right of use lease asset (building) \$21,517,798 (net of accumulated amortization). This investment in capital assets includes right of use lease asset (building), leasehold improvements, furniture, fixtures, vehicles and computer equipment. As of June 30, 2023, the School had approximately \$23,807,368 in long-term liabilities associated to its capital assets.

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 to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 699,469	\$ 883,922	\$ 886,509
Federal sources	643,714	624,890	626,131
Charges and other revenues	426,860	437,013	438,942
General Revenues			
FTE nonspecific revenues	9,585,822	9,860,022	9,861,375
Charges and other revenues	521,064	560,432	561,942
Total Revenues	<u>11,876,929</u>	<u>12,366,279</u>	<u>12,374,899</u>
CURRENT EXPENDITURES			
Component Unit Activities			
Instruction	4,998,425	4,933,806	4,932,592
Student support services	227,603	335,676	333,345
Instructional staff training	45,000	41,289	39,887
Board	68,522	69,374	67,758
School administration	1,113,642	1,124,930	1,122,360
Fiscal services	192,075	201,230	199,500
Central services	84,000	520,894	196,792
Pupil transportation services	231,575	198,923	519,217
Operation of plant	1,240,771	1,211,098	1,210,110
Maintenance of plant	205,450	177,845	175,327
Administrative technology services	88,740	58,923	57,661
Community services	346,860	337,045	335,847
Total Current Expenditures	<u>\$ 8,842,663</u>	<u>\$ 9,211,033</u>	<u>\$ 9,190,396</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 College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Statement of Net Position
June 30, 2023

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 597,377
Investments	640,000
Prepaid expenses and other current assets	271,456
Due from other agencies	321,418
Total current assets	<u>1,830,251</u>
Capital assets, net:	
Capital assets, depreciable	3,526,936
Less: accumulated depreciation	(2,518,284)
Right-of-use lease asset	23,782,825
Less: accumulated amortization	(2,265,027)
Total capital assets, net	<u>22,526,450</u>
Security deposit	8,799
Total Assets	<u>24,365,500</u>
 <u>Deferred Outflows of Resources</u>	 <u>-</u>
 <u>Liabilities</u>	
Current liabilities:	
Accounts payable	73,646
Salaries and wages payable	255,190
Current portion of notes payable	266,079
Lease liability-current	743,794
Total current liabilities	<u>1,338,709</u>
Lease liability	22,429,825
Notes payable	367,670
Total Liabilities	<u>24,136,204</u>
 <u>Deferred Inflows of Resources</u>	 <u>-</u>
 <u>Net Position</u>	
Net investment in capital assets	(1,280,918)
Unrestricted	1,510,214
Total Net Position	<u>\$ 229,296</u>

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

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Statement of Activities
For the year ended June 30, 2023

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	\$ 5,196,809	\$ -	\$ 578,651	\$ -	\$ (4,618,158)
Student support services	333,345	-	-	-	(333,345)
Instructional staff training	39,887	-	39,887	-	-
Board	67,758	-	-	-	(67,758)
School administration	1,124,310	-	-	-	(1,124,310)
Fiscal services	199,500	-	-	-	(199,500)
Food services	-	27,808	-	-	27,808
Central services	203,259	-	-	-	(203,259)
Pupil transportation services	519,754	-	-	-	(519,754)
Operation of plant	2,693,314	-	-	886,509	(1,806,805)
Maintenance of plant	176,911	-	7,593	-	(169,318)
Administrative technology services	57,661	-	-	-	(57,661)
Community services	335,847	411,134	-	-	75,287
Debt service	1,207,029	-	-	-	(1,207,029)
Total governmental activities	\$ 12,155,384	\$ 438,942	\$ 626,131	\$ 886,509	\$ (10,203,802)
General revenues:					
FTE and other nonspecific revenues					9,861,375
Other revenues					561,942
Change in net position					219,515
Net position, beginning					9,781
Net position, ending					\$ 229,296

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

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 334,607	\$ 262,770	\$ -	\$ 597,377
Investments	640,000	-	-	640,000
Due from other agencies	-	311,418	10,000	321,418
Due from fund	321,418	-	-	321,418
Prepaid expenses	271,456	-	-	271,456
Total Assets	<u>1,567,481</u>	<u>574,188</u>	<u>10,000</u>	<u>2,151,669</u>
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Accounts payable	73,646	-	-	73,646
Due to fund	-	311,418	10,000	321,418
Salaries and wages payable	255,190	-	-	255,190
Total Liabilities	<u>328,836</u>	<u>311,418</u>	<u>10,000</u>	<u>650,254</u>
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund Balance</u>				
Nonspendable, not in spendable form	271,456	-	-	271,456
Assigned	-	262,770	-	262,770
Unassigned	967,189	-	-	967,189
	<u>1,238,645</u>	<u>262,770</u>	<u>-</u>	<u>1,501,415</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,567,481</u>	<u>\$ 574,188</u>	<u>\$ 10,000</u>	<u>\$ 2,151,669</u>

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

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds \$ 1,501,415

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	3,526,936	
Less: accumulated depreciation	(2,518,284)	
Right-of-use lease asset	23,782,825	
Less: accumulated amortization	<u>(2,265,027)</u>	22,526,450

Deposits receivable of \$8,799 are considered long-term and are not financial resources and therefore are not reported in the governmental funds.	8,799
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Long term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds.	<u>(23,807,368)</u>
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Total Net Position - Governmental Activities \$ 229,296

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

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
State capital outlay funding	\$ -	\$ -	\$ 886,509	\$ 886,509
State passed through local	9,861,375	-	-	9,861,375
Federal sources	-	626,131	-	626,131
Charges and other revenue	561,942	438,942	-	1,000,884
Total Revenues	10,423,317	1,065,073	886,509	12,374,899
Expenditures:				
Current				
Instruction	4,667,752	264,840	-	4,932,592
Student support services	333,345	-	-	333,345
Instructional staff training	-	39,887	-	39,887
Board	67,758	-	-	67,758
School administration	1,122,360	-	-	1,122,360
Fiscal services	199,500	-	-	199,500
Central services	196,792	-	-	196,792
Pupil transportation services	519,217	-	-	519,217
Operation of plant	1,210,110	-	-	1,210,110
Maintenance of plant	167,734	7,593	-	175,327
Administrative technology services	57,661	-	-	57,661
Community services	-	335,847	-	335,847
Capital Outlay:				
Other capital outlay	108,750	27,423	-	136,173
Debt service:				
Principal	383,087	-	512,516	895,603
Interest	44,357	-	1,162,672	1,207,029
Total Expenditures	9,078,423	675,590	1,675,188	11,429,201
Excess (deficit) of revenues over expenditures	1,344,894	389,483	(788,679)	945,698
Other financing sources (uses)				
Transfers in (out)	(506,600)	(282,079)	788,679	-
Net change in fund balance	838,294	107,404	-	945,698
Fund Balance at beginning of year	400,351	155,366	-	555,717
Fund Balance at end of year	\$ 1,238,645	\$ 262,770	\$ -	\$ 1,501,415

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

Somerset College Preparatory Academy
 (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, 2023

Net Change in Fund Balance - Governmental Funds \$ 945,698

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation and amortization expense and disposals.

Capital outlay	136,173	
Depreciation and amortization expense	<u>(1,602,168)</u>	(1,465,995)

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		(155,791)
Principal payments on long-term liabilities		895,603

Change in Net Position of Governmental Activities	<u>\$ 219,515</u>
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The accompanying notes are an integral part of this financial statement.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset College Preparatory Academy (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 four 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 expires on June 30, 2031 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 sixth through twelfth grades and is funded by the District. These financial statements are for the year ended June 30, 2023 when on average 1,330 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 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:

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

Measurement Focus and Basis of Accounting

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the School provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other miscellaneous sources.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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.

Prepaid Expenses and Other Assets

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

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Investments

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

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

Inter-fund Transfers

Inter-fund receivables/payables (“due from/to”) are short-term balances that represent reimbursement 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Right-of-use asset (building)	20 Years
Improvements	5 Years
Furniture, fixtures and equipment	5 Years
Vehicles	5 Years

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. 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

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources (continued)

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 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 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 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 prepaid expenses (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- 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.
- 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 pertain to the School’s internal account.
- e) Unassigned – portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School’s general fund.

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

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Income Taxes

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

Use of Estimates

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

New Accounting Standard Adopted

In fiscal year 2023, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: GASB 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 adoption had no material effect on the School's 2023 financial statements.

Pronouncements Issued But Not Yet Effective

GASB has issued GASB Statement No. 101, Compensating Absences. This Statement provides guidance on the accounting and financial reporting for certain types of compensated absences including parental leave, military leave, and injury duty leave. 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 December 15, 2023. The School is currently evaluating the effect that implementation of the new standard will have on its 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, 2023, which is the date the financial statements were available to be issued.

Note 2 – 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, 2023, bank balances in potential excess of FDIC coverage totaled \$266,036.

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, 2023, the School had \$640,000 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, 2023, maturities of the fund's portfolio holdings are approximately 91% 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, 2023, 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.

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2023

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, 2023:

	Balance 07/01/22	Additions	Reclassification/ Retirements	Balance 06/30/23
Capital Assets:				
Computer equipment and software	\$ 523,306	\$ -	\$ -	\$ 523,306
Leasehold improvements	318,815	-	-	318,815
Furniture, fixtures and equipment	1,454,878	136,173	-	1,591,051
Motor Vehicles	1,093,764	-	-	1,093,764
Total Capital Assets	<u>3,390,763</u>	<u>136,173</u>	<u>-</u>	<u>3,526,936</u>
Less Accumulated Depreciation:				
Computer equipment and software	(461,597)	(32,451)	-	(494,048)
Leasehold improvements	(121,973)	(50,450)	-	(172,423)
Furniture, fixtures and equipment	(954,285)	(235,106)	-	(1,189,391)
Motor Vehicles	(510,776)	(151,646)	-	(662,422)
Total Accumulated Depreciation	<u>(2,048,631)</u>	<u>(469,653)</u>	<u>-</u>	<u>(2,518,284)</u>
Capital Assets, net	<u>\$ 1,342,132</u>	<u>\$ (333,480)</u>	<u>\$ -</u>	<u>\$ 1,008,652</u>
Lease Assets:				
Right of use lease asset (building)	\$ 23,782,825	\$ -	\$ -	\$ 23,782,825
Less accumulated amortization:	(1,132,512)	(1,132,515)	-	(2,265,027)
Total Lease Assets being amortized, net	<u>22,650,313</u>	<u>(1,132,515)</u>	<u>-</u>	<u>21,517,798</u>
Governmental Activities Capital Assets, net	<u>\$ 23,992,445</u>	<u>\$ (1,465,995)</u>	<u>\$ -</u>	<u>\$ 22,526,450</u>

For the fiscal year ended June 30, 2023, depreciation and amortization expense is allocated in the Statement of Activities by function as follows:

	Depreciation	Amortization
Instruction	\$ 264,217	\$ -
School administration	1,950	-
Central services	6,467	-
Pupil transportation services	537	-
Operation of plant	194,898	1,132,515
Maintenance of Plant	1,584	-
Total Expense	<u>\$ 469,653</u>	<u>\$ 1,132,515</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 through June 30, 2028, and unless terminated by the board shall have the option to renew for an additional five year term. During the year ended June 30, 2023, the School incurred \$598,500.

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. \$231,950 in connection with these charges during the year.

The School received recoverable grants from Somerset Academy, Inc. totaling \$1,595,000 (\$485,000 in 2023 and \$1,110,000 in prior periods). The purpose of these grants is for the School to fund operating expenses. Under the terms, the School would repay Somerset Academy, Inc. contingent on subsequently meeting certain financial conditions. To date, management has determined that the School has not met the requirements for repayment 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 \$1,595,000.

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, 2023.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2023, administrative fees withheld by the School District totaled \$34,892.

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2023

Note 7– Long Term Debt

The School obtained several term loans from financial institutions for the acquisition of School Buses and other equipment. The facilities are secured by the buses and equipment, with the terms of the notes payable as follows:

Notes Payable to Financial Institutions	Interest Rate	Maturity Date	Balance as of June 30, 2023
\$419,416 loan to acquire four school buses	5.03%	October 10, 2023	\$ 23,510
\$214,097 loan to acquire two school buses	5.55%	October 19, 2024	\$ 47,343
\$230,081 loan to acquire two school buses	7.50%	November 4, 2026	\$ 127,297
\$115,090 loan to acquire one school bus	7.50%	September 9, 2026	\$ 60,979
\$115,080 loan to acquire one school bus	7.50%	August 5, 2026	\$ 59,589
\$422,850 loan to refinance existing equipment loan and to acquire equipment	3.25%	November 16, 2023	\$ 60,847
\$120,655 loan to acquire equipment	3.50%	November 16, 2023	\$ 60,835
\$268,680 loan to acquire equipment	4.20%	March 26, 2026	\$ 193,349
Total			<u>\$ 633,749</u>

The School’s debt agreements with financial institutions 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 debt for the year ended June 30, 2023:

	Balance 07/01/22	Additions	Repayments	Balance 06/30/23
Notes Payable - Equipment Loan	\$ 533,140	\$ -	\$ (218,110)	\$ 315,030
Notes Payable - Bus Loans	483,696	-	(164,977)	318,719
Total Debt	<u>\$ 1,016,836</u>	<u>\$ -</u>	<u>\$ (383,087)</u>	<u>\$ 633,749</u>

Note 7 – Long Term Debt (continued)

Interest expense for the year ended June 30, 2023 was \$44,357. Future maturities under the long-term debt as of June 30, 2023 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 266,079	\$ 33,904
2025	177,658	23,280
2026	137,219	13,032
2027	<u>52,793</u>	<u>5,748</u>
Total	<u>\$ 633,749</u>	<u>\$ 75,964</u>

Note 8 – Lease Liability

Effective November 1, 2016 the School entered into a lease agreement with PSL School Property, LLC (Landlord) for its 41,518 square feet facilities located at 725 NW California Boulevard in Port St Lucie, Florida. On April 19, 2018 the lease was amended to include an additional 21,558 square feet recently constructed by the landlord on the existing site. The Landlord is an affiliate of the School’s education services and support provider (See Note 4). The commencement date of the initial lease was July 1, 2017 and the additional 21,558 square feet of rentable space commenced in July 2018. Fixed annual payments under this agreement (based on \$19.00 per square foot) are approximately \$1,198,444. 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, 2037 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. For 2023.

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 fiscal year 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, 2023.

For the years ended June 30, 2023 and 2022, the Landlord has elected to defer all but 3% of the annual CPI adjustment and may elect to recover the deferred portion in subsequent lease years where the CPI adjustment is less than 3% or when the School receives increases in state funding.

Note 8 – Lease Liability (continued)

For the year ended June 30, 2023, interest expense totaled \$1,162,672, as it relates to its lease agreements. For 2023, variable and other payments of \$366,285 in connection with the lease agreement not previously included in the measurement of the lease liability were recorded in rent expense.

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

<u>PSL School Property, LLC</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 743,794	\$ 1,132,057	\$ 1,875,851
2025	781,847	1,094,004	1,875,851
2026	821,848	1,054,003	1,875,851
2027	863,896	1,011,955	1,875,851
2028	908,094	967,757	1,875,851
2029-2033	4,121,358	3,382,046	7,503,404 (Total period of five years period)
2034-2038	6,454,591	2,924,664	9,379,255 (Total period of five years period)
2039-2041	8,283,556	1,095,699	9,379,255 (Total period of three years period)
	<u>\$ 22,978,984</u>	<u>\$ 12,662,185</u>	<u>\$ 35,641,169</u>

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

	<u>Balance 07/01/22</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance 06/30/23</u>
Lease liability	\$ 23,491,498	\$ -	\$ (512,516)	\$ 22,978,982
Deferred CPI adjustment	38,846	155,791	-	194,637
Total Debt	<u>\$ 23,530,344</u>	<u>\$ 155,791</u>	<u>\$ (512,516)</u>	<u>\$ 23,173,619</u>

Note 9 – Contingencies and Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Note 10 – Risk Management

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.

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.

Note 11 – 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 \$153,006 to the Plan for the year ended June 30, 2023. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

Note 12 – Interfund Transfers

Interfund transfers in governmental funds as of June 30, 2023, consist of the following:

	General Fund	Special Revenue Fund	Capital Projeccts Fund
To reimburse the general fund for prior year expenses	\$ 282,079	(282,079)	\$ -
To fund lease liabilities payments from the general fund	(788,679)	-	788,679
Total Transfers, net	<u>\$ (506,600)</u>	<u>\$ (282,079)</u>	<u>\$ 788,679</u>
Due to General Fund from Capital Projects Fund for capital outlay	\$ 10,000	\$ -	\$ (10,000)
Due to General Fund from Special Revenue Fund for Federal Funds	311,418	(311,418)	-
Total Due from/(Due to)	<u>\$ 321,418</u>	<u>\$ (311,418)</u>	<u>\$ (10,000)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2023

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 9,585,822	\$ 9,860,022	\$ 9,861,375
Charges and other revenue	521,064	560,432	561,942
Total Revenues	<u>10,106,886</u>	<u>10,420,454</u>	<u>10,423,317</u>
EXPENDITURES			
Current:			
Instruction	4,360,101	4,668,023	4,667,752
Student support services	227,603	335,676	333,345
Board	68,522	69,374	67,758
School administration	1,113,642	1,124,930	1,122,360
Fiscal services	192,075	201,230	199,500
Central services	231,575	198,923	196,792
Pupil transportation services	84,000	520,894	519,217
Operation of plant	1,240,771	1,211,098	1,210,110
Maintenance of plant	195,060	169,345	167,734
Administrative technology services	88,740	58,923	57,661
Total Current Expenditures	<u>7,802,089</u>	<u>8,558,416</u>	<u>8,542,229</u>
Capital Outlay:			
Other capital outlay	110,000	110,000	108,750
Debt Service:			
Principal	383,087	383,087	383,087
Interest	44,357	44,357	44,357
Total Expenditures	<u>8,339,533</u>	<u>9,095,860</u>	<u>9,078,423</u>
Excess of Revenues Over Expenditures	1,767,353	1,324,594	1,344,894
Other financing sources (uses):			
Transfers in (out)	(975,719)	(411,980)	(506,600)
Net change in fund balance	791,634	912,614	838,294
Fund Balance at beginning of year	<u>400,351</u>	<u>400,351</u>	<u>400,351</u>
Fund Balance at end of year	<u>\$ 1,191,985</u>	<u>\$ 1,312,965</u>	<u>\$ 1,238,645</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 College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2023

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 643,714	\$ 624,890	\$ 626,131
Charges and other revenue	426,860	437,013	438,942
Total Revenues	<u>1,070,574</u>	<u>1,061,903</u>	<u>1,065,073</u>
EXPENDITURES			
Current:			
Instruction	\$ 638,324	265,783	264,840
Instructional staff training	45,000	41,289	39,887
Maintenance of plant	10,390	8,500	7,593
Community services	346,860	337,045	335,847
Total Current Expenditures	<u>1,040,574</u>	<u>652,617</u>	<u>648,167</u>
Excess of Revenues Over Current Expenditures	<u>30,000</u>	<u>409,286</u>	<u>416,906</u>
Capital Outlay			
Other Capital Outlay	30,000	30,000	27,423
Debt Service			
Total Expenditures	<u>1,070,574</u>	<u>682,617</u>	<u>675,590</u>
Excess of Revenues Over Expenditures	-	379,286	389,483
Other financing sources (uses)			
Transfers in (out)	-	(379,286)	(282,079)
Net change in fund balance	-	-	107,404
Fund Balance at beginning of year, as restated	<u>155,366</u>	<u>155,366</u>	<u>155,366</u>
Fund Balance at end of year	<u>\$ 155,366</u>	<u>\$ 155,366</u>	<u>\$ 262,770</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 College Preparatory Academy
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 and each major fund of Somerset College Preparatory Academy (the “School”) as of, and for the year ended June 30, 2023, 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, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We issued a separate management letter dated September 29, 2023 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, 2023



MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Somerset College Preparatory Academy, Florida, as of and for the year ended June 30, 2023, and have issued our report thereon dated September 29, 2023.

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, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

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

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

Official Title

Section 10.854.(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Somerset College Preparatory Academy, 0712.

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 College Preparatory Academy 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 College Preparatory Academy 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 College Preparatory Academy. It is management's responsibility to monitor Somerset College Preparatory Academy'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 College Preparatory Academy 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 College Preparatory Academy maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, School Board of St. Lucie 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 29, 2023