



Somerset Academy Elementary South Campus
WL# 5263
(A Charter School under Somerset Academy, Inc. and
Component Unit of the School Board of Broward County, Florida)

Pembroke Pines, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2024

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Somerset Academy Elementary South Campus
(A charter school under Somerset Academy, Inc.)
W/L# 5263

19620 Pines Boulevard,
Pembroke Pines, FL 33024

2023-2024

Board of Directors

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

School Administration

Bernardo Montero, Principal

Other Non-voting Corporate Officers

Bernardo Montero, President
Suzette Ruiz, Vice-President



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Academy Elementary South Campus
Pembroke Pines, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Elementary South Campus (the “School”), a charter school under Somerset Academy, Inc. which is a component unit of the District School Board of Broward County, as of, and for the year ended June 30, 2024, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2024, 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 the School 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.

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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 – Presentation

As described in Note 1, the accompanying financial statements referred to above present only the financial position and change in financial position of the School 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, 2024 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 30 through 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024 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 solely 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 effectiveness of 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 30, 2024

Management’s Discussion and Analysis
Somerset Academy Elementary South Campus
(A Charter school Under Somerset Academy, Inc.)
June 30, 2024

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, 2024.

Financial Highlights

1. The net position of the School at June 30, 2024 was \$554,926.
2. At year-end, the School had current assets on hand of \$1,158,153.
3. The School’s net position increased by \$543,592 for the year ended June 30, 2024.
4. The unassigned fund balance at year end was \$762,533.

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, 2024 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the School’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School’s net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10 - 11 of this report.

Fund Financial Statements

A “fund” is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide

financial statements. Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government’s requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with the School’s budget.

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

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16-30 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 \$554,926 at the close of the fiscal year. A summary of the School’s net position as of June 30, 2024 and 2023 is as follows:

	2024	2023
Cash	\$ 427,369	\$ 498,248
Investments	389,000	120,000
Due from other agencies	834,966	306,183
Prepaid expenses and other assets	41,102	57,145
Capital assets and right of use asset, net	4,161,601	4,575,142
Total Assets	5,854,038	5,556,718
Deferred outflows of resources	-	-
Accounts payable and accrued liabilities	77,069	115,537
Lease liability	4,348,043	4,555,290
Long-term debt	-	25,846
Due to other divisions of Somerset Academy, Inc.	874,000	848,711
Total Liabilities	5,299,112	5,545,384
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	(186,442)	(5,994)
Restricted	-	55,325
Unrestricted	741,368	(37,997)
Total Net Position	\$ 554,926	\$ 11,334

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

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
REVENUES		
Program Revenues		
Operating grants and contributions	\$ 342,868	\$ 425,583
Capital grants and contributions	248,978	207,614
Lunch Program	201,245	157,532
Charges for services	707,680	640,311
General Revenues		
State and local sources	4,043,709	2,708,363
Other revenues	42,913	257,479
Total Revenues	<u>\$ 5,587,393</u>	<u>\$ 4,396,882</u>
 EXPENSES		
Instruction	\$ 2,130,306	\$ 2,222,364
Student support services	3,482	25,027
Instructional staff training	16,954	18,872
Board	20,807	18,521
School administration	375,044	314,693
Fiscal services	55,417	52,200
Food services	267,419	135,854
Central services	85,499	81,336
Student transportation services	33,184	28,912
Operation of plant	1,109,514	824,853
Maintenance of plant	104,553	135,888
Administrative technology services	15,994	12,322
Community services	354,556	296,411
Debt service	471,072	233,008
Total Expenses	<u>5,043,801</u>	<u>4,400,261</u>
Change in Net Position	543,592	(3,379)
Net Position at Beginning of Year	11,334	14,713
Net Position at End of Year	<u>\$ 554,926</u>	<u>\$ 11,334</u>

The School's revenues and expenses increased by \$1,190,511 and \$643,540 during the year. The School had an increase in its net position of \$543,592 for the year.

School Location and Lease of Facility

The School leases a facility located at 19620 Pines Boulevard, Pembroke Pines, Florida 33024.

Capital Improvement Requirements

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

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

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

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$803,635. The fund balance unassigned and available for spending at the School's discretion is \$762,533. 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, 2024 amounts to \$129,512 (net of accumulated depreciation) and right of use lease asset (building) \$4,032,089 (net of accumulated amortization). This investment in capital assets includes right of use lease asset (building), improvements, and furniture, fixtures and equipment. As of June 30, 2024, the School had long-term liabilities of \$4,348,043 associated to its capital assets.

The lease asset is amortized using the straight-line method over the term of the lease and the lease liability amortizes based on the effective interest method resulting in a higher liability and expense during the early years of the lease.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Capital grants and contributions	\$ 243,292	\$ 245,121	\$ 248,978
Federal sources	546,431	580,505	593,563
Lunch program	150,200	174,500	201,245
General Revenues			
State and local sources	3,477,422	3,500,415	3,509,425
Charges for services and other revenues	712,326	730,230	750,593
Total Revenues	<u>5,129,671</u>	<u>5,230,771</u>	<u>5,303,804</u>
CURRENT EXPENDITURES			
Instruction	2,094,633	2,072,264	2,040,271
Student support services	12,495	7,433	3,482
Instructional staff training	20,750	20,750	16,954
Board	24,550	22,606	20,807
School administration	379,561	378,632	371,336
Fiscal services	55,500	55,417	55,417
Food services	274,941	270,152	265,474
Central services	70,100	70,100	69,999
Student transportation services	33,960	33,960	33,184
Operation of plant	822,572	816,079	804,123
Maintenance of plant	78,250	95,000	70,124
Administrative technology services	21,765	19,064	15,994
Community services	360,000	360,000	354,556
Total Current Expenditures	<u>\$ 4,249,077</u>	<u>\$ 4,221,457</u>	<u>\$ 4,121,721</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 Elementary South Campus
(A charter school under Somerset Academy, Inc.)

Statement of Net Position
June 30, 2024

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 427,369
Investments	389,000
Prepaid expenses and other assets	41,102
Due from other agencies	300,682
Total current assets	<u>1,158,153</u>
Capital assets, non-depreciable	8,576
Capital assets, depreciable	1,111,547
Less: accumulated depreciation	(990,611)
Righ of use asset, building	4,896,108
Less: accumulated amortization	<u>(864,019)</u>
	4,161,601
Due from other agencies, long term	<u>534,284</u>
Total Assets	<u>5,854,038</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	76,183
Accounts payable	886
Due to other divisions of Somerset Academy, Inc.	74,000
Lease liability, current	217,849
Total Current Liabilities	<u>368,918</u>
Due to other divisions of Somerset Academy, Inc., long-term	800,000
Deferred rent	43,904
Lease liability	4,086,290
Total Liabilites	<u>5,299,112</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	(186,442)
Unrestricted	741,368
Total Net Position	<u>\$ 554,926</u>

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

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

Statement of Activities
For the year ended June 30, 2024

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 2,130,306	\$ 324,051	\$ 267,759	\$ -	\$ (1,538,496)
Student support services	3,482	-	-	-	(3,482)
Instructional staff training	16,954	-	12,428	-	(4,526)
Board	20,807	-	-	-	(20,807)
School administration	375,044	-	14,996	-	(360,048)
Fiscal services	55,417	-	-	-	(55,417)
Food services	267,419	114,149	87,096	-	(66,174)
Central services	85,499	-	-	-	(85,499)
Student transportation services	33,184	-	-	-	(33,184)
Operation of plant	1,109,514	62,906	44,921	248,978	(752,709)
Maintenance of plant	104,553	-	-	-	(104,553)
Administrative technology services	15,994	-	2,764	-	(13,230)
Community services	354,556	320,723	-	-	(33,833)
Debt service	471,072	-	-	-	(471,072)
Total governmental activities	5,043,801	821,829	429,964	248,978	(3,543,030)
General revenues:					
State and local sources					4,043,709
Interest income and other revenues					42,913
					<u>543,592</u>
Change in net position					543,592
Net position, beginning					11,334
Net position, ending					<u>\$ 554,926</u>

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

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

Balance Sheet - Governmental Funds
June 30, 2024

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 223,920	\$ 203,449	\$ -	\$ 427,369
Investments	389,000	-	-	389,000
Due from other agencies	275,937	6,687	18,058	300,682
Due from fund	24,745	-	-	24,745
Prepaid expenses and other current assets	41,102	-	-	41,102
Total Assets	<u>954,704</u>	<u>210,136</u>	<u>18,058</u>	<u>1,182,898</u>
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Salaries and wages payable	76,183	-	-	76,183
Accounts payable	886	-	-	886
Due to fund	-	6,687	18,058	24,745
Due to other divisions of Somerset Academy, Inc.	74,000	-	-	74,000
Total Liabilities	<u>151,069</u>	<u>6,687</u>	<u>18,058</u>	<u>175,814</u>
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	41,102	-	-	41,102
Assigned	-	203,449	-	203,449
Unassigned	762,533	-	-	762,533
	<u>803,635</u>	<u>203,449</u>	<u>-</u>	<u>1,007,084</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 954,704</u>	<u>\$ 210,136</u>	<u>\$ 18,058</u>	<u>\$ 1,182,898</u>

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

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balance - Governmental Funds \$ 1,007,084

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, non depreciable	8,576	
Capital assets, depreciable	1,111,547	
Less: accumulated depreciation	(990,611)	
Right of use lease asset	4,896,108	
Less: accumulated amortization	<u>(864,019)</u>	4,161,601

Long term receivables in governmental activities are not available in the current period and therefore, are not reported in the governmental funds.	534,284
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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>(5,148,043)</u>
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Total Net Position - Governmental Activities \$ 554,926

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

Somerset Academy Elementary South 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, 2024

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
State and local sources	\$ 3,509,425	\$ -	\$ -	\$ 3,509,425
Capital grants and contributions	-	-	248,978	248,978
Federal sources	-	593,563	-	593,563
Lunch program	-	201,245	-	201,245
Charges for services and other revenues	429,870	320,723	-	750,593
Total Revenues	3,939,295	1,115,531	248,978	5,303,804
Expenditures:				
Current				
Instruction	1,879,144	161,127	-	2,040,271
Student support services	3,482	-	-	3,482
Instructional staff training	4,526	12,428	-	16,954
Board	20,807	-	-	20,807
School administration	356,340	14,996	-	371,336
Fiscal services	55,417	-	-	55,417
Food services	-	265,474	-	265,474
Central services	69,999	-	-	69,999
Student transportation services	33,184	-	-	33,184
Operation of plant	759,202	44,921	-	804,123
Maintenance of plant	70,124	-	-	70,124
Administrative technology services	13,230	2,764	-	15,994
Community Services	-	354,556	-	354,556
Capital Outlay:				
Other capital outlay	37,467	-	-	37,467
Debt Service:				
Repayment of Principal	25,846	-	207,247	233,093
Interest on long-term debt	209	-	220,863	221,072
Total Expenditures	3,328,977	856,266	428,110	4,613,353
Excess (deficit) of revenues over expenditures	610,318	259,265	(179,132)	690,451
Proceeds from other financing sources:				
Transfers in (out)	178,195	(357,327)	179,132	-
Repayment of recoverable grant	(250,000)	-	-	(250,000)
Repayment of advances	(48,711)	-	-	(48,711)
Net change in fund balance	489,802	(98,062)	-	391,740
Fund Balance at beginning of year	313,833	301,511	-	615,344
Fund Balance at end of year	\$ 803,635	\$ 203,449	\$ -	\$ 1,007,084

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

Somerset Academy Elementary South 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, 2024

Net Change in Fund Balance - Governmental Funds \$ 391,740

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. These amounts during the year were as follows:

Capital outlay	37,467	
Depreciation and amortization expense	<u>(451,008)</u>	(413,541)

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

Decreases in long term liabilities	<u>281,804</u>	281,804
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Revenues are recognized using the full accrual basis of accounting in the government-wide statements. However, revenues are recognized when they are measurable and available in the governmental funds. This is the difference between the revenues from prior year that is now available to pay current liabilities to the revenues from the current year that is not available to pay current liabilities. In the current period, these amounts are:

Prior year revenues available in current year	(250,695)	
Current year revenues not available	<u>534,284</u>	<u>283,589</u>

Change in Net Position of Governmental Activities \$ 543,592

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Elementary South Campus (the “School”) is a component unit and charter school sponsored by the School Board of Broward 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 has determined that no component units exist that would be 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 Broward County, Florida. The current charter expires on June 30, 2038 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 Pembroke Pines, Florida and is approved to serve students from kindergarten through fifth grade and is funded by the District. For the year ended June 30, 2024, the school had students enrolled in kindergarten through fifth grade. These financial statements are for the year ended June 30, 2024, when on average 350 students were enrolled for the school year. The School’s charter contract allows for co-location with Somerset Academy (5141) for pre-kindergarten through fifth grades.

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 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 state and local 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:

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

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

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

Measurement Focus and Basis of Accounting

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

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

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied. Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Note 1 – Summary of Significant Accounting Policies (continued)

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, nonmarketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

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

Prepaid Expenses and Other Current Assets

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

Inter-fund Transfers

Interfund receivables/payables 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)

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 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.

The right of use assets are initially measure at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of 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:

Furniture, Audio visual Equipment and Fixtures	3-5 Years
Building Improvements	5 Years
Righ of Use Asset (Building)	20 Years

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.

Compensated Absences

The School grants a specific number of personal time off. Full time instructional employees are eligible to receive one day per month 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 days for personal time off, however, employees may only cash out if they have used three days or less 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 days. Non-exempt and office salaried employees are not eligible to “cash out” unused personal time off days.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 financial 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.

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. In addition, the School receives a portion of the local operating millage revenues levied by the District (“Secure the Next Generation Referendum”).

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 tax revenues levied by the District.

Note 1 – Summary of Significant Accounting Policies (continued)

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Net Position and Fund Balance Classifications

Government-wide financial statements

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

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "invested in capital assets."

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

Fund financial statements

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with prepaid expenses. All nonspendable fund balances pertain to assets not in spendable form.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.

Note 1 – Summary of Significant Accounting Policies (continued)

- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balances at year end pertain to the School's internal account.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

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

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.

Income Taxes

Somerset Academy, Inc. qualify as a tax-exempt organizations under Internal Revenue Code Section 501(c)(3), and are, 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 2024, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: GASB Statement No. 100, *Accounting Changes and Error Corrections*. This adoption had no material effect on the School's financial statements as of June 30, 2024.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 30, 2024, which is the date the financial statements were available to be issued.

Note 2 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2024:

	Balance 07/01/23	Additions	Retirements/ Reclassifications	Balance 06/30/24
Capital Assets:				
Non - Depreciable:				
Construction in progress	\$ -	\$ 8,576	\$ -	\$ 8,576
Depreciable:				
Furniture, fixtures and equipment	\$ 693,228	\$ 13,914	\$ (45,518)	\$ 661,624
Building improvements	285,244	2,730	(31,400)	256,574
Motor vehicles	-	9,000	-	9,000
Audiovisual materials	212,530	3,247	(31,428)	184,349
Total Capital Assets	<u>1,191,002</u>	<u>37,467</u>	<u>(108,346)</u>	<u>1,120,123</u>
Less Accumulated Depreciation:				
Furniture, fixtures and equipment	(565,473)	(82,483)	45,518	(602,438)
Building improvements	(194,028)	(47,766)	31,400	(210,394)
Motor vehicles	-	(300)	-	(300)
Audiovisual materials	(176,454)	(32,453)	31,428	(177,479)
Total Accumulated Depreciation	<u>(935,955)</u>	<u>(163,002)</u>	<u>108,346</u>	<u>(990,611)</u>
Capital Assets, net	<u>255,047</u>	<u>(125,535)</u>	<u>-</u>	<u>129,512</u>
Lease Assets:				
Right of use leased asset (building)	4,896,108	-	-	4,896,108
Less accumulated amortization:	<u>(576,013)</u>	<u>(288,006)</u>	<u>-</u>	<u>(864,019)</u>
Total Lease Assets being amortized, net	4,320,095	(288,006)	-	4,032,089

Note 2 – Capital Assets (continued)

For the fiscal year ended June 30, 2024, depreciation and amortization expense is allocated in the Statement of Activities by function as follows:

	<u>Depreciation</u>	<u>Amortization</u>
Instruction	\$ 90,035	\$ -
School administration	3,708	-
Facilities acquisition	15,500	-
Food service	1,945	-
Operation of plant	17,385	288,006
Maintenance of plant	34,429	-
Total Expense	<u>\$ 163,002</u>	<u>\$ 288,006</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, 2024, bank balances in potential excess of FDIC coverage was approximately \$522,000.

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, 2024, the School had \$680,000 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, 2024, maturities of the fund’s portfolio holdings are approximately 86% within 30 days.

Credit Risk

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

Note 3 – Cash and Investments (Continued)

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2024, 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 –Due from Other Agencies

The following is due from other agencies as of June 30, 2024:

Funding Source	Governmental Fund	Balance
Due from the District, referendum	General Fund	\$ 275,937
Title II	Special Revenue Fund	3,107
ESSER III	Special Revenue Fund	3,580
Capital Outlay	Capital Projects Fund	18,058
Total Due from Other Agencies, current		<u>\$ 300,682</u>
Due from the District, referendum, long-term portion		534,284
Total Due from Other Agencies		<u><u>\$ 834,966</u></u>

Note 5 – Education Service and Support Provider

Academica Broward, LLC, an education service and support provider, provides 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 services. The agreement between the School and the education service and support provider calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. continuing through June 30, 2028, and unless terminated by the board shall have the option to renew for an additional five-year period. During the year ended June 30, 2024, the School incurred \$166,250 in fees.

Note 6 – Transactions with Divisions of Somerset Academy, Inc.

During the year, the School shared its campus and resources with Somerset Academy, another charter school under Somerset Academy, Inc. Through the board, management allocates a proportionate share of rent expense, salaries, supplies and other expenses based on student enrollment and usage of personnel to these schools. The School’s lunch program is also shared with Somerset Academy. Revenues and expense related to the lunch program have been allocated based on FTE equivalent for purposes of presentation in the financial statements. As of year end, \$74,000 was due to Somerset Academy for the sharing of such resources.

In addition, the School received long term, non-interest bearing advances from another charter school under Somerset Academy, Inc. The following schedule provides a summary of the long term advances for the year ended June 30, 2024:

	Balance 07/01/23	Advances	Decreases	Balance 06/30/24
Due to Somerset Academy, Inc.	\$ 800,000	\$ -	\$ -	\$ 800,000
Due to Somerset Academy Middle	48,711	-	(48,711)	-
Long term advances payable	<u>\$ 848,711</u>	<u>\$ -</u>	<u>\$ (48,711)</u>	<u>\$ 800,000</u>

Somerset Academy, Inc. charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During 2024, the School paid Somerset Academy, Inc. \$52,425 in connection with these charges during the year.

Recoverable Grant

To date, the School received \$250,000 in recoverable grants from Somerset Academy, Inc. to fund operating expenses. Under the terms of the agreement, the School would repay the corporate account of Somerset Academy, Inc. contingent on subsequently meeting certain financial conditions. During the year, management determined that the School met the requirements for repayment of \$250,000, fully paying off the outstanding balance.

Note 7 – Long term Liabilities

Effective April 1, 2018, the Somerset Academy, Inc. entered into a lease agreement on behalf of the School with Pines Blvd School Development, LLC (the “Landlord”), for 56,161 square feet leased premises located at 19620 Pines Boulevard, Pembroke Pines, Florida 33029. The landlord is an affiliate of the School’s educational service and support provider (see Note 5). Initial fixed annual payments under the lease agreement (based on \$22.00 per square foot) are \$1,235,542, adjusted annually and commencing on the second annual lease year based on the Consumer Price Index (CPI). The agreement continues through June 30, 2038 (“initial term”), with an option to renew for two additional five-year term periods. Under the lease agreement, Somerset Academy, Inc. must meet certain covenants and requirements, including a “Lease Payment Coverage Ratio” of not less than 1.10 to 1.00. The lease agreement is guaranteed by Somerset Academy, Inc.

Note 7 – Long term Liabilities (Continued)

At the time of the initial measurement, the lease right of use asset and liability were allocated between School and Somerset Academy based on enrollment and usage of facility. The allocation used was approximately 34% for the School and 66% for Somerset Academy and there was no interest rate specified in the original lease agreement. The School used an average effective interest for several borrowings during fiscal year 2021 and 2022. At the time of the initial measurement, 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.

For the year ended June 30, 2024, interest expense totaled \$220,863 related to its lease agreements. For 2024, variable and other payments of \$334,456 in connection with the lease agreement.

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

Year	Principal	Interest	Total	
2025	\$ 217,849	\$ 210,260	\$ 428,109	
2026	228,995	199,114	428,109	
2027	240,711	187,398	428,109	
2028	253,026	175,083	428,109	
2029	265,971	162,138	428,109	
3030-2034	1,548,440	592,105	2,140,545	Total for a five year period
2035-2038	1,549,147	163,289	1,712,436	Total for a four year period
	<u>\$ 4,304,139</u>	<u>\$ 1,689,387</u>	<u>\$ 5,993,526</u>	

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

	Balance 07/01/23	Additions	Deletions	Balance 06/30/24
Lease liability	\$4,511,386	\$ -	\$ (207,247)	\$ 4,304,139
Deferred rent CPI	43,904	-	-	43,904
Total	<u>\$4,555,290</u>	<u>\$ -</u>	<u>\$ (207,247)</u>	<u>\$ 4,348,043</u>

Note 8 – 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.

Note 8 – Contingencies and Concentrations (continued)

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 high performing) of the qualifying revenues of the School. For the year ended June 30, 2024, administrative fees withheld by the School District totaled \$37,893.

Note 9 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions, personal injury, workers compensation and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in any the past three years. In addition, there were no reductions in insurance coverage from those in the prior year.

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

Note 10 – Defined Contribution Retirement Plan

Post-retirement Benefits

The School’s personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School will match 100% of the employee’s contribution 4% up to of the employee’s compensation. The School contributed \$54,444 to the Plan for the year ended June 30, 2024. The School does not exercise any control or fiduciary responsibility over the Plan’s assets, which are administered by Voya Financial.

Note 11 – Interfund Transfers

Transfers of balances in the governmental funds as of June 30, 2024 consist of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund
To fund debt service payments	\$ (179,132)	\$ -	\$ 179,132
To reimburse general fund for prior year federal expenditures	357,327	(357,327)	-
Total Transfers, net	<u>\$ 178,195</u>	<u>\$ (357,327)</u>	<u>\$ 179,132</u>

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

Due to general fund from special revenue fund for federal grants	\$ 6,687	\$ (6,687)	\$ -
Due to general fund from capital projects fund for capital outlay	18,058	-	(18,058)
Total Due from/(Due to)	<u>\$ 24,745</u>	<u>\$ (6,687)</u>	<u>\$ -</u>

Note 12 – Notes Payable

On July 25, 2019, the School obtained an equipment financing loan from a financial institution in the amount of \$230,597 for a term of 48 months with principal and interest payments at a fixed interest rate of 3.95%.

On November 16, 2020, the school refinanced the existing equipment loan with another financial institution. The total loan advance was for \$177,241 with payment of principal and interest over a 36 month period at annual rate of 3.25%.

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

	Balance 07/01/23	Advances	Repayments	Balance 06/30/24
Equipment financing Regions	<u>\$ 25,846</u>	<u>\$ -</u>	<u>\$ (25,846)</u>	<u>\$ -</u>
Long term debt	<u>\$ 25,846</u>	<u>\$ -</u>	<u>\$ (25,846)</u>	<u>\$ -</u>

Note 13 – Referendum

On November 6, 2018, and November 8, 2022, the voters of Broward County approved and renewed, respectively, the Secure the Next Generation Referendum to raise/maintain teacher compensation and improve school safety and security. The Broward County School District shares a portion with charter schools. The District entered into a settlement agreement with the School for the 2018 Referendum funds not received for the 2017-2018, 2018-2019, 2019-2020, 2020-2021 and 2021-2022 school years. The District agreed to pay these funds totaling \$907,363 (including interest at a rate of 12% compounding monthly) in the following installments:

Year	Principal	Interest	Total
2025	\$ 267,142	\$ -	\$ 267,142
2026	267,142	33,880	301,022
2027	267,142	72,057	339,199
Total	<u>\$ 801,426</u>	<u>\$ 105,937</u>	<u>\$ 907,363</u>

The following are referendum funds recognized by the School during the School year ended June 30, 2024:

	<u>2023-2024</u>
Total Referendum Revenue Recognized-	
2023-2024 Referendum Funds	\$ 411,483
2018 Referendum Settlement Agreement, excluding interest of \$105,938	801,426
Total per Government-Wide Statement of Activities	<u>1,212,909</u>
Less: Due from Broward County Public Schools, referendum, long-term portion	<u>(534,284)</u>
Total per Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	<u>\$ 678,625</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2024

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State and local sources	\$ 3,477,422	\$ 3,500,415	\$ 3,509,425
Charges for services and other revenues	400,426	414,115	429,870
Total Revenues	<u>3,877,848</u>	<u>3,914,530</u>	<u>3,939,295</u>
EXPENDITURES			
Current:			
Instruction	1,894,784	1,885,632	1,879,144
Student support services	12,495	7,433	3,482
Instructional staff training	5,000	5,000	4,526
Board	24,550	22,606	20,807
School administration	364,561	363,632	356,340
Fiscal services	55,500	55,417	55,417
Central services	70,100	70,100	69,999
Student transportation services	33,960	33,960	33,184
Operation of plant	771,940	765,827	759,202
Maintenance of plant	78,250	95,000	70,124
Administrative technology services	16,765	14,064	13,230
Total Current Expenditures	<u>3,327,905</u>	<u>3,318,671</u>	<u>3,265,455</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>549,943</u>	<u>595,859</u>	<u>673,840</u>
Debt Service:			
Interest on debt	209	209	209
Redemption of Principal	25,846	25,846	25,846
Capital Outlay			
Other capital outlay	38,500	38,500	37,467
Total Capital Outlay and Debt Service Expenditures	<u>64,555</u>	<u>64,555</u>	<u>63,522</u>
Total Expenditures	<u>3,392,460</u>	<u>3,383,226</u>	<u>3,328,977</u>
Excess (Deficit) of Revenues Over Expenditures	485,388	531,304	610,318
Other financing sources (uses):			
Transfers in (out)	(99,142)	(16,338)	178,195
Repayment of recoverable grant	-	(250,000)	(250,000)
Repayment of advances	-	(48,711)	(48,711)
Net change in fund balance	386,246	216,255	489,802
Fund Balance at beginning of year	<u>313,833</u>	<u>313,833</u>	<u>313,833</u>
Fund Balance at end of year	<u>\$ 700,079</u>	<u>\$ 530,088</u>	<u>\$ 803,635</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2024

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 546,431	\$ 580,505	\$ 593,563
Lunch program	150,200	174,500	201,245
Charges for services and other revenues	311,900	316,115	320,723
Total Revenues	1,008,531	1,071,120	1,115,531
EXPENDITURES			
Current:			
Instruction	199,849	186,632	161,127
Instructional staff training	15,750	15,750	12,428
School administration	15,000	15,000	14,996
Food services	274,941	270,152	265,474
Operation of plant	50,632	50,252	44,921
Administrative technology services	5,000	5,000	2,764
Community Services	360,000	360,000	354,556
Total Current Expenditures	921,172	902,786	856,266
Excess of Revenues Over Current Expenditures	87,359	168,334	259,265
Capital Outlay			-
Total Expenditures	921,172	902,786	856,266
Excess of Revenues Over Expenditures	87,359	168,334	259,265
Other financing sources (uses)			
Transfers in (out)	(87,359)	(168,334)	(357,327)
Net change in fund balance	-	-	(98,062)
Fund Balance at beginning of year	301,511	301,511	301,511
Fund Balance at end of year	\$ 301,511	\$ 301,511	\$ 203,449

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 AUDITORS' 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 Elementary South Campus
Pembroke Pines, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund, of Somerset Academy Elementary South Campus (the "School") as of, and for the year ended June 30, 2024, 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 30, 2024.

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 School'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.

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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 30, 2024 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2024



MANAGEMENT LETTER

To the Board of Directors of
Somerset Academy Elementary South Campus
Pembroke Pines, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Elementary South Campus, Florida, as of and for the year ended June 30, 2024 and have issued our report thereon dated September 30, 2024.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 30, 2024, 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 in the preceding audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of education of the entity is Somerset Academy Elementary South Campus, 5263.

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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 Elementary South Campus has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Somerset Academy Elementary South Campus did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Somerset Academy Elementary South Campus. It is management’s responsibility to monitor Somerset Academy Elementary South 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 such recommendations.

Transparency

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 Elementary South Campus maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Somerset Academy Elementary South 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, fraud, waste or abuse, that has occurred, or is likely to have occurred, that has 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 Broward 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 30, 2024