



Somerset Academy Lakes Charter School
WL# 4091

(A charter school under
Somerset Academy, Inc.)

West Palm Beach, Florida

Financial Statements and
Independent Auditors' Report
June 30, 2021

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Somerset Academy Lakes Charter School
(A charter school under Somerset Academy, Inc.)
WL# 4091

2845 Summit Blvd.
West Palm Beach, Florida 33406

2020-2021

BOARD OF DIRECTORS

Todd German, Director, Board Chair
Ana Diaz, Director and Secretary
David Concepcion, Director
Dr. Bernard Kimmel, Director
Brian M. Cox, Director (Texas)

OTHER NON-VOTING OFFICERS:

Bernardo Montero, President
Suzette Ruiz, Vice-President

SCHOOL ADMINISTRATION

Clint Duvo, Principal



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Somerset Academy Lakes Charter School
West Palm Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Lakes Charter School (the “School”), a charter school under Somerset Academy, Inc., as of, and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Lakes Charter School as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy Lakes Charter School as of June 30, 2021, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Somerset Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Somerset Academy, Inc. as of June 30, 2021 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 4 through 8 and 30 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2021, 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, 2021

CERTIFIED PUBLIC ACCOUNTANTS

Management's Discussion and Analysis
Somerset Academy Lakes Charter School
(A Charter School under Somerset Academy, Inc.)
June 30, 2021

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, 2021.

Financial Highlights

1. The School's net position as of June 30, 2021 was \$263,718.
2. At year-end, the School had current assets on hand of \$964,834.
3. The School had an increase in its net position of \$231,491 for the year ended June 30, 2021.
4. The unassigned fund balance at year end was \$264,676.

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, 2021 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

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

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

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

The basic governmental fund financial statements can be found on pages 11 - 14 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 15 – 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, net position is \$263,718 at the close of the fiscal year. A summary of the School's net position as of June 30, 2021 and 2020 is as follows:

	2021	2020
Cash	\$ 47,814	\$ 402,504
Investments	124,000	80,000
Prepaid expenses and other assets	64,772	28,754
Due from other agencies	577,619	15,348
Due from other SLAM Palm Beach	150,629	-
Capital assets, net	446,253	486,332
Total Assets	1,411,087	1,012,938
Deferred outflows of resources	-	-
Accounts payable	55,181	3,181
Salaries and wages payable	92,188	76,369
Due to other divisions of Somerset, Inc., long term	1,000,000	900,000
Long-term note payable	-	18,582
Total Liabilities	1,147,369	998,132
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	102,776	59,883
Unrestricted	160,942	(45,077)
Total Net Position	\$ 263,718	\$ 14,806

At the end of both fiscal years, the School was 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 620,574	\$ 130,477
Capital Outlay Funding	251,754	263,810
Charges for Services	58,456	1,877
General Revenues		
Local Sources (FTE and other non specific)	2,618,116	1,986,743
Other revenues	53,775	237,443
Total Revenues	<u>\$ 3,602,675</u>	<u>\$ 2,620,350</u>
EXPENSES		
Instruction	\$ 1,627,075	\$ 1,274,199
Instructional staff training	-	340
Student support services	6,563	
Board	20,033	17,069
General administration	99,076	94,450
School administration	307,131	277,503
Fiscal services	50,250	40,275
Food services	1,687	1,577
Central services	62,603	76,544
Operation of plant	822,318	743,528
Maintenance of plant	132,785	78,930
Administrative technology services	-	451
Interest on long-term debt	200,343	1,115
Community Services	41,320	-
Total Expenses	<u>3,371,184</u>	<u>2,605,981</u>
Increase (decrease) in Net Position	231,491	14,369
Net Position at Beginning of Year, as restated	<u>32,227</u>	<u>437</u>
Net Position at End of Year	<u>\$ 263,718</u>	<u>\$ 14,806</u>

In the current year revenues and expenses increased by \$982,325 and \$765,203, respectively, as a result of an increase in student enrollment. The School had an increase in its net position of \$231,491 for the year.

School Location and Lease of Facility

The School leases a facility locate at 2845 Summit Blvd, West Palm Beach, Florida, 33406.

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 \$329,448. The fund balance unassigned and available for spending at the School's discretion is \$264,676. 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, 2021 amounts to \$446,253 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and computer equipment. As of June 30, 2021, the School had long-term debt of \$1,000,000 associated to its capital assets and working capital.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School’s fiscal year, the Board of the 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			
State capital outlay funding	\$ 218,552	\$ 251,800	\$ 251,754
Federal sources	144,102	88,841	250,875
General Revenues			
FTE and other nonspecific revenues	2,586,846	2,616,947	2,618,116
Charges and other revenues	101,855	103,311	112,231
Total Revenues	<u>3,051,355</u>	<u>3,060,899</u>	<u>3,232,976</u>
CURRENT EXPENDITURES			
Instruction	1,251,994	1,558,810	1,537,305
Student support services	7,500	7,500	6,563
Board	23,931	22,063	20,033
General administration	94,500	99,076	99,076
School administration	300,472	305,307	304,996
Fiscal services	49,725	50,250	50,250
Food services	200	110	110
Central services	79,725	62,750	62,603
Operation of plant	745,494	780,743	779,238
Maintenance of plant	87,000	134,000	132,785
Community Services	43,875	42,336	41,320
Total Current Expenditures	<u>\$ 2,684,416</u>	<u>\$ 3,062,945</u>	<u>\$ 3,034,279</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 Lakes Charter School
(A charter school under Somerset Academy, Inc.)

Statement of Net Position
June 30, 2021

	<u>Primary Governmental Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash	\$ 47,814
Investments	124,000
Due from other SLAM Palm Beach	150,629
Prepaid expenses and other assets	64,772
Due from other agencies	<u>577,619</u>
Total Current Assets	964,834
Capital assets	830,839
Less: accumulated depreciation	<u>(384,586)</u>
	<u>446,253</u>
Total Assets	<u>1,411,087</u>
<u>Deferred Outflows of Resources</u>	
	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	55,181
Salaries and wages payable	<u>92,188</u>
	147,369
Due to other divisions of Somerset, Inc., long term	<u>1,000,000</u>
Total Liabilities	<u>1,147,369</u>
<u>Deferred Inflows of Resources</u>	
	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	102,776
Unrestricted	<u>160,942</u>
Total Net Position	<u>\$ 263,718</u>

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

Somerset Academy Lakes Charter School
(A charter school under Somerset Academy, Inc.)

Statement of Activities
For the year ended June 30, 2021

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary Government					
Governmental activities:					
Instruction	\$ 1,627,075	\$ -	\$ 595,307	\$ -	\$ (1,031,768)
Student support services	6,563	-	6,563	-	-
Board	20,033	-	-	-	(20,033)
General administration	99,076	-	-	-	(99,076)
School administration	307,131	-	257	-	(306,874)
Fiscal services	50,250	-	-	-	(50,250)
Food services	1,687	-	-	-	(1,687)
Central services	62,603	-	-	-	(62,603)
Operation of plant	822,318	-	18,447	251,754	(552,117)
Maintenance of plant	132,785	-	-	-	(132,785)
Debt service	200,343	-	-	-	(200,343)
Community Services	41,320	58,456	-	-	17,136
Total governmental activities	3,371,184	58,456	620,574	251,754	(2,440,400)

General revenues:

FTE and other nonspecific revenues 2,618,116
Other revenue 53,775

Change in net position 231,491

Net position, beginning, as restated 32,227

Net position, ending \$ 263,718

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

Somerset Academy Lakes Charter School
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2021

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 6,684	\$ 41,130	\$ -	\$ 47,814
Investments	124,000	-	-	124,000
Due from other agencies	184,713	-	23,207	207,920
Due from fund	23,207	-	-	23,207
Prepaid expenses	64,772	-	-	64,772
Due from other SLAM Palm Beach	150,629	-	-	150,629
Total Assets	<u>554,005</u>	<u>41,130</u>	<u>23,207</u>	<u>618,342</u>
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Accounts payable	55,181	-	-	55,181
Salaries and wages payable	92,188	-	-	92,188
Due to fund	-	-	23,207	23,207
Total Liabilities	<u>147,369</u>	<u>-</u>	<u>23,207</u>	<u>170,576</u>
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	64,772	-	-	64,772
Assigned	-	41,130	-	41,130
Unassigned	341,864	-	-	341,864
	<u>406,636</u>	<u>41,130</u>	<u>-</u>	<u>447,766</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 554,005</u>	<u>\$ 41,130</u>	<u>\$ 23,207</u>	<u>\$ 618,342</u>

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

Somerset Academy Lakes Charter School
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds \$ 447,766

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

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

Capital assets	830,839	
Accumulated depreciation	<u>(384,586)</u>	446,253

Receivables in governmental activities that are not
available are not current financial resources, and
therefore are not reported in the governmental funds. 369,699

Long term liabilities which are not due and payable in the
current period and therefore is not reported in the
governmental funds. (1,000,000)

Total Net Position - Governmental Activities \$ 263,718

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

Somerset Academy Lakes Charter School
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2021

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
State passed through local	\$ 2,618,116	\$ -	\$ -	\$ 2,618,116
State capital outlay funding	-	-	251,754	251,754
Federal sources	-	250,875	-	250,875
Charges and other revenue	53,775	58,456	-	112,231
Total Revenues	2,671,891	309,331	251,754	3,232,976
Expenditures:				
Current				
Instruction	992,617	544,688	-	1,537,305
Student support services	-	6,563	-	6,563
Board	20,033	-	-	20,033
General administration	99,076	-	-	99,076
School administration	304,739	257	-	304,996
Fiscal services	50,250	-	-	50,250
Food services	110	-	-	110
Central services	62,603	-	-	62,603
Operation of plant	509,037	18,447	251,754	779,238
Maintenance of plant	132,785	-	-	132,785
Community Services	-	41,320	-	41,320
Capital Outlay:				
Other capital outlay	45,864	50,619	-	96,483
Debt Service:				
Redemption of principal	18,582	-	-	18,582
Interest	343	-	-	343
Total Expenditures	2,236,039	661,894	251,754	3,149,687
Excess (deficit) of revenues over expenditures	435,852	(352,563)	-	83,289
Other financing sources (uses)				
Transfers in (out)	(376,272)	376,272	-	-
Repayment of recoverable grant from Somerset Academy, Inc.	(100,000)	-	-	(100,000)
Net change in fund balance	(40,420)	23,709	-	(16,711)
Fund Balance at beginning of year, as restated	447,056	17,421	-	464,477
Fund Balance at end of year	\$ 406,636	\$ 41,130	\$ -	\$ 447,766

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

Somerset Academy Lakes Charter School
(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, 2021

Net Change in Fund Balance - Governmental Funds \$ (16,711)

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 depreciation expense differed from capital outlays.

Capital outlay expenditures	96,483	
Depreciation expense	<u>(136,562)</u>	(40,079)

Revenues are recognized using the full accrual basis of accounting in the government-wide statements. However, revenues are recognized when they are measurable and available in the governmental funds. These revenues were not available at year end and therefore not reported in the governmental funds. 369,699

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position. This is the amount by which decreases differed from increases in the current period.

Decreases	18,582	
Increases	<u>(100,000)</u>	<u>(81,418)</u>

Change in Net Position of Governmental Activities \$ 231,491

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Lakes Charter School (the "School"), is a charter school whose charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc., which is composed of five members and also governs other charter schools. The board of directors has determined that no component units 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 Palm Beach County, Florida. The current charter expires on June 30, 2029 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 West Palm Beach, Florida for students from kindergarten through fifth grade. These financial statements are for the year ended June 30, 2021, when on average 334 students were enrolled for the school year.

Basis of presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements 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, such as student activity fees; (2) operating grants such Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not included with program revenues are reported as general revenues. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Finance Program (FEFP) revenues and other miscellaneous sources.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

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

Capital Project Fund - accounts for specific revenue, such as federal funding that is legally restricted to expenditures for particular purposes.

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.

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. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

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.

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.

Inter-fund Transfers

Inter-fund receivables/payables (“due from/to”) are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as other financing sources in the governmental funds. Estimated useful lives, in years, for depreciable assets are as follows:

Furniture, Equipment, and Computers	5 Years
Textbooks and Software	3 Years
Building Improvement	20 Years

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. There is an opportunity to “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days 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 District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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

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 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 do not meet the definition of "restricted" or "net investment in capital assets."

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

Fund financial statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories lists 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.
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.

Note 1 – Summary of Significant Accounting Policies (continued)

- d) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balances at year end pertain to the School's student activities 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.

Prepaid Expenses

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.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Income Taxes

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

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.

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, 2021, which is the date the financial statements were available to be issued.

New Accounting Standard Adopted

During the year, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: Statement No. 84 *Fiduciary Activities*. See Note 12.

Note 1 – Summary of Significant Accounting Policies (continued)

Pronouncements Issued But Not Yet Effective

GASB has issued GASB Statement No. 87 *Leases*, effective fiscal year 2022, that will affect the future financial position, results of operations, or financial presentation of the School upon implementation. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

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, 2021, bank balances in potential excess of FDIC coverage were \$48,037.

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, 2021, the School had \$210,000 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, 2021, maturities of the fund's portfolio holdings are approximately 79% 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.

Note 2 – Cash and Investments (continued)

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2021, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

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

Note 3 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2021:

	<u>Balance</u> 07/01/20	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance</u> 06/30/21
Capital Assets:				
Capital assets, depreciable:				
Building improvements	\$ 299,016	\$ 44,370	\$ -	\$ 343,386
Computer equipment	184,838	32,928	-	217,766
Furniture, equipment and textbooks	<u>326,827</u>	<u>19,185</u>	<u>(76,325)</u>	<u>269,687</u>
Total Capital Assets	810,681	96,483	(76,325)	830,839
Less Accumulated Depreciation:				
Building improvements	(18,509)	(38,776)	(1,275)	(58,560)
Computer equipment	(92,263)	(39,674)	-	(131,937)
Furniture, equipment and textbooks	<u>(213,577)</u>	<u>(58,112)</u>	<u>77,600</u>	<u>(194,089)</u>
Total Accumulated Depreciation	(324,349)	(136,562)	76,325	(384,586)
Capital Assets, net	<u>\$ 486,332</u>	<u>\$ (40,079)</u>	<u>\$ -</u>	<u>\$ 446,253</u>

Somerset Academy Lakes Charter School
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2021

Note 3 – Capital Assets (continued)

For the fiscal year ended June 30, 2021, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	89,770
School administration		2,135
Food services		1,577
Operation of plant		43,080
Total Depreciation Expense	\$	<u>136,562</u>

Note 4 – Education Service and Support Provider

Academica Broward, LLC, an educational service and support provider (“ESSP”), 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, 2022, and unless terminated by the board shall be renewed for an additional term of five (5) years. During the year ended June 30, 2021, the School incurred \$150,750 in fees related to this agreement.

Recoverable Grant

During the year ended June 30, 2017, the School received a \$110,000 recoverable grant from Academica Dade, LLC. The purpose of this grant is for the School to fund operating expenses. Under the terms, the School would repay Academica Dade, LLC 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 \$110,000.

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. During the year ended, June 30, 2021, the School paid Somerset Academy, Inc. \$50,250 in connection with these charges.

Recoverable Grant

In previous years, the School received recoverable grants totaling \$640,000 from Somerset Academy, Inc. The purpose of these grants is for the School to fund operating expenses. Under the terms, 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 partially met the requirements for repayment under the recoverable grant terms and accrued \$200,000 of which \$100,000 was paid during the year and \$100,000 is included in long term advances from Somerset Academy, Inc as listed as an increase below. The maximum remaining amount the School may be required to pay in the future to Somerset Academy, Inc. should the School meet the requirements for repayment is \$440,000.

The School received long-term, non-interest bearing advances from Somerset Academy, Inc. The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2021:

	Balance 07/01/20	Increases	Decreases	Balance 06/30/21
Due to Somerset Academy, Inc.	\$ -	\$ 100,000	\$ -	\$ 100,000
Somerset Academy Canyons Middle School	900,000	-	-	900,000
Total Long Term Debt	<u>\$ 900,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>

Note 6 – Transactions with Other Organizations

For 2021, the School’s facility was shared with Sports Leadership and Management (SLAM) Charter Middle School and SLAM High School Palm Beach (both charter schools under Sports Leadership and Management, Inc.). Through the board of directors, management allocates a proportionate share of salaries, supplies, and other shared expenses to each school individually based on student enrollment or usage of facilities.

Note 7 – Commitments, Contingencies, and Concentrations

On July 25, 2016 SLAM Foundation, Inc. entered into a facilities lease agreement (“master lease”) with Summit School Property, LLC (“Sub landlord”) for its 65,000 square feet facility located at 2845 Summit Blvd, West Palm Beach, Florida. The Landlord is also an affiliate of the School’s ESSP (See Note 4). On July 25, 2016 Somerset Academy, Inc. also entered into a space sublease agreement with SLAM Foundation, Inc. (sub landlord) for use of the facility noted in the master lease agreement. The leased facilities are shared with Sports Leadership and Management (SLAM) Charter Middle and SLAM High School Palm Beach. Initial fixed annual payments under the master lease agreement (based on \$23.08 per square foot) were \$1,500,200 subject to certain enrollment discounts through June 30, 2022 and adjusted annually based on the Consumer Price Index (“CPI”) plus additional property costs including repairs, maintenance and insurance. The master lease agreement and the sublease agreement continue through June 30, 2036 with two options to renew for additional five-year terms.

Under the agreement, Somerset Academy, Inc. must meet certain requirements and covenants including maintaining a “Fixed Charge Coverage Ratio” of not less than 1.10 to 1.00.

The Sub landlord amended the master lease to align the rents due by each School’s pro rata share of total enrollment at the facility. The allocation between the School, Sports Leadership and Management (SLAM) Charter Middle School and Sports Leadership and Management (SLAM) Charter High school was 44%, 36% and 20% respectively. Rent expense for the School totaled \$608,697 for 2021, net of enrollment discounts.

Future minimum payments under the full lease agreement is as follows:

Year	
2022	\$ 1,684,753
2023	\$ 1,691,153
2024	\$ 1,691,153
2025	\$ 1,691,153
2026	\$ 1,691,153
2027-2031	\$ 8,455,765 (total for five-year period)
2032-2036	\$ 8,455,765 (total for five-year period)

Contingencies and Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs.

Note 7 – Commitments, Contingencies, and Concentrations (continued)

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.

Sponsoring District

The School has entered into a food services agreement with the School District of Palm Beach 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.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee up to 5% of the qualifying revenues of the School, up to and including 250 students. For the year ended June 30, 2021, administrative fees totaled \$99,076.

Note 8 – Long Term Debt

On April 4, 2017 the School obtained equipment financing from a financial institution for a total loan balance of \$76,529. This financing was utilized to purchase fixed assets for the School and will be repaid in 48 monthly principal and interest payments at a fixed interest rate of 3.78%. As of June 30, 2021 this loan was paid off in full.

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

	Balance 07/01/20	Proceeds	Repayments	Balance 06/30/21
Notes Payable	\$ 18,582	\$ -	\$ (18,582)	\$ -
Total Notes Payable	<u>\$ 18,582</u>	<u>\$ -</u>	<u>\$ (18,582)</u>	<u>\$ -</u>

Note 9 – Interfund Transfers

Interfund transfers in the governmental funds as of June 30, 2021 consist of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
To fund GEER federal expenditures for which revenues were not available	(230,754)	230,754	-
To fund CSP federal expenditures for which revenues were not available	(138,945)	138,945	-
Transfer of beginning internal fund balances	(6,573)	6,573	-
Total Transfers, net	<u>\$ (376,272)</u>	<u>\$ 376,272</u>	<u>\$ -</u>

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Due to General Fund from:			
Due to General Fund Special Revenue Fund for ESSER Grant	\$ (83,835)	\$ 83,835	
Capital Projects Fund for capital outlay	23,207	-	(23,207)
Other Special Revenue Fund	(13,048)	13,048	-
Total Due from/(Due to)	<u>\$ (73,676)</u>	<u>\$ 96,883</u>	<u>\$ (23,207)</u>

Note 10 – Risk Management

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

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

Note 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 match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed \$40,527 to the Plan for the year ended June 30, 2021. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

Note 12 – Implementation of GASB 84

As of July 1, 2020, the School implemented GASB Statement No. 84. Fiduciary Activities. This Statement establishes new criteria for identifying fiduciary activities which, when met, require that activities be reported in a fiduciary fund in the basic financial statements. Items previously reported as part of the agency fund classification of the Fiduciary Fund statements were reviewed to evaluate if they met the new custodial funds criteria. The School identified the School’s internal account as non-fiduciary and re-categorized them as assigned in the Special Revenue Fund. The government-wide net position and fund balances were restated as a result of the implementation of GASB Statement No. 84 as follows:

	Fiscal Year June 30, 2020 <u>Original</u>	GASB Statement No.84 <u> </u>	Fiscal Year June 30, 2021 <u>(Restated)</u>
Net change in fund balances	\$ 123,879	\$ -	\$ 123,879
Fund balances (deficit) at beginning	323,177	-	323,177
Restatement of beginning fund balances	<u>-</u>	<u>17,421</u>	<u>17,421</u>
Fund balances (deficit) at the end of year	<u>447,056</u>	<u>17,421</u>	<u>464,477</u>
Change in net position	14,369	-	14,369
Net position (deficit), beginning	437	-	437
Restatement of beginning net position	<u>-</u>	<u>17,421</u>	<u>17,421</u>
Net position (deficit), ending	<u>\$ 14,806</u>	<u>\$ 17,421</u>	<u>\$ 32,227</u>

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Lakes Charter School
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2021

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 2,586,846	\$ 2,616,947	\$ 2,618,116
Charges and other revenue	45,000	45,870	53,775
Total Revenues	<u>2,631,846</u>	<u>2,662,817</u>	<u>2,671,891</u>
EXPENDITURES			
Current:			
Instruction	1,107,892	1,096,914	992,617
Board	23,931	22,063	20,033
General Administration	94,500	99,076	99,076
School Administration	300,172	305,007	304,739
Fiscal Services	49,725	50,250	50,250
Food Services	200	110	110
Central Services	79,725	62,750	62,603
Operation of Plant	506,386	509,193	509,037
Maintenance of Plant	87,000	134,000	132,785
Total Current Expenditures	<u>2,249,531</u>	<u>2,279,363</u>	<u>2,171,250</u>
Excess of Revenues Over Current Expenditures	<u>382,315</u>	<u>383,454</u>	<u>500,641</u>
Debt Service:			
Redemption of Principal	-	18,582	18,582
Interest	-	343	343
Capital Outlay	<u>46,500</u>	<u>46,500</u>	<u>45,864</u>
Other Capital Outlay			
Total Capital Outlay and Debt Service Expenditures	<u>46,500</u>	<u>65,425</u>	<u>64,789</u>
Total Expenditures	<u>2,296,031</u>	<u>2,344,788</u>	<u>2,236,039</u>
Excess (deficit) of Revenues Over Expenditures	335,815	318,029	435,852
Other financing sources (uses):			
Transfers in (out)	(68,261)	(455,000)	(376,272)
Repayment of recoverable grant from Somerset Academy, Inc.	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net change in fund balance	267,554	(236,971)	(40,420)
Fund Balance at beginning of year	<u>447,056</u>	<u>447,056</u>	<u>447,056</u>
Fund Balance at end of year	<u>\$ 714,610</u>	<u>\$ 210,085</u>	<u>\$ 406,636</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 Lakes Charter School
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2021

	Capital Project Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 218,552	\$ 251,800	\$ 251,754
Total Revenues	218,552	251,800	251,754
EXPENDITURES			
Current:			
Operation of Plant	218,552	251,800	251,754
Total Current Expenditures	218,552	251,800	251,754
Excess of Revenues Over Current Expenditures	-	-	-
Debt Service:			
Redemption of Principal	-	-	-
Interest	-	-	-
Capital Outlay	-	-	-
Other Capital Outlay	-	-	-
Total Capital Outlay and Debt Service Expenditures	-	-	-
Total Expenditures	218,552	251,800	251,754
Excess (Deficit) of Revenues Over Expenditures	-	-	-
Other financing sources (uses)			
Transfers in (out)	-	-	-
Net change in fund balance	-	-	-
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	\$ -	\$ -	\$ -

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 Lakes Charter School
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2021

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 144,102	\$ 88,841	\$ 250,875
Charges and other revenue	56,855	57,441	58,456
Total Revenues	200,957	146,282	309,331
EXPENDITURES			
Current:			
Instruction	144,102	461,896	544,688
Student support services	7,500	7,500	6,563
School administration	300	300	257
Operation of Plant	20,556	19,750	18,447
Community Services	43,875	42,336	41,320
Total Current Expenditures	216,333	531,782	611,275
Excess of Revenues Over Current Expenditures	(15,376)	(385,500)	(301,944)
Debt Service:			
Redemption of Principal	-	-	-
Capital Outlay	52,885	51,200	50,619
Total Capital Outlay and Debt Service Expenditures	52,885	51,200	50,619
Total Expenditures	269,218	582,982	661,894
Excess (deficit) of Revenues Over Expenditures	(68,261)	(436,700)	(352,563)
Other financing sources (uses)			
Transfers in (out)	68,261	455,000	376,272
Net change in fund balance	-	18,300	23,709
Fund Balance at beginning of year, as restated	17,421	17,421	17,421
Fund Balance at end of year	\$ 17,421	\$ 35,721	\$ 41,130

Notes to Budgetary Comparison Schedule

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Somerset Academy Lakes Charter School
West Palm Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Lakes Charter School (the "School") as of, and for the year ended June 30, 2021, 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, 2021.

Internal Control Over Financial Reporting

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

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

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

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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 amounts. 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, 2021 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.

Handwritten signature in blue ink that reads "HLB Gravier, LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2021



MANAGEMENT LETTER

To the Board of Directors of
Somerset Academy Lakes Charter School
West Palm Beach, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Lakes Charter School, West Palm Beach, Florida, as of and for the fiscal year ended June 30, 2021 and have issued our report thereon dated September 29, 2021.

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 29, 2021, 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 and recommendation 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 school code assigned by the Florida Department of education of the entity is Somerset Academy Lakes Charter School, 4091.

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, School Board of Palm Beach 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, 2021