



Somerset Academy Wellington
f/k/a Somerset Academy of the Arts

WL# 4031
(A charter school under
Somerset Academy, Inc.)

Wellington, Florida

Financial Statements and
Independent Auditors' Report
June 30, 2021

TABLE OF CONTENTS

General Information	1
Independent Auditors' Report.	2-3
Management's Discussion and Analysis (Required Supplementary Information)	4-8
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position.	9
Statement of Activities.	10
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds.	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.	14
<i>Notes to the Basic Financial Statements</i>	15-26
Required Supplementary Information:	
Budgetary comparison schedules	27-28
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	29-30
Management Letter	31-32

Somerset Academy Wellington
f/k/a Somerset Academy of the Arts
(A charter school under Somerset Academy, Inc.)
WL# 4031

1000 Wellington Trace
Wellington, Florida 33414

2020-2021

BOARD OF DIRECTORS

Todd German, Director, Treasurer & Board Chair (Florida)
Ana Diaz, Director, Director, Vice-Chair
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

Elizabeth Sauri, Principal



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Somerset Academy Wellington f/k/a Somerset Academy of the Arts
Wellington, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Wellington f/k/a Somerset Academy of the Arts (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.

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 remaining aggregate fund information of Somerset Academy Wellington 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 Wellington 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 27 through 28 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.

Correction of an Error

As discussed in Note 6, the year-end 2020 financial statements did not reflect the amended minimum school enrollment figures provided by the landlord which resulted in an overstatement of rent expense. Accordingly, rent expense has been restated in the current year’s financial statements as a prior period adjustment. Our opinion is not modified with respect to this matter.



Coral Gables, Florida
September 29, 2021

CERTIFIED PUBLIC ACCOUNTANTS

Management's Discussion and Analysis
Somerset Academy Wellington
(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 \$815,504.
2. At year-end, the School had current assets on hand of \$1,395,088.
3. The School had an increase in its net position of \$275,968 for the year ended June 30, 2021.
4. The unassigned fund balance at year end was \$413,932.

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 - 26 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 \$815,504 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	\$ 20,608	\$ 262,410
Investments	660,000	50,000
Prepaid expenses	102,840	70,546
Due from other agencies	611,640	532,137
Deposits receivable	18,246	18,246
Capital assets, net	680,476	531,261
Total Assets	2,093,810	1,464,600
Deferred outflows of resources	-	-
Accounts payable	238,633	954
Salaries and wages payable	39,673	25,319
Due to other divisions of Somerset Academy, Inc., long term	1,000,000	1,305,039
Total Liabilities	1,278,306	1,331,312
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	680,476	472,131
Unrestricted	135,028	(339,843)
Total Net Position	\$ 815,504	\$ 132,288

At the end of both the 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	\$ 599,910	\$ 530,698
Capital outlay funding	115,006	35,947
Charges for services	7,567	1,000
General Revenues		
Local sources (FTE and other non specific)	1,693,576	535,492
Other revenues	225,070	703,488
Total Revenues	<u>\$ 2,641,129</u>	<u>\$ 1,806,625</u>
EXPENSES		
Instruction	\$ 1,128,304	\$ 450,938
Board	17,390	2,644
General administration	84,551	26,344
School administration	168,488	140,311
Fiscal services	33,150	10,575
Central services	62,409	59,727
Operation of plant	743,114	516,998
Maintenance of plant	125,771	59,552
Community Services	1,984	-
Total Expenses	<u>2,365,161</u>	<u>1,267,089</u>
Increase in Net Position	275,968	539,536
Net Position at Beginning of Period, as restated	539,536	-
Net Position at End of Period	<u>\$ 815,504</u>	<u>\$ 539,536</u>

During 2021, the School's revenues and expenses increased by \$835,504 and \$1,098,072 respectively. The school had an increase in its net position of \$275,968 for the year.

School Location and Lease of Facility

The School leases a facility located at 1000 Wellington Trace, Wellington, Florida, 33414.

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 \$516,772. The fund balance unassigned and available for spending at the School's discretion is \$413,932. 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 \$680,476 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures textbooks, and computer equipment. As of June 30, 2021, the School had no long-term debt associated with its capital assets.

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	\$ 96,500	\$ 115,100	\$ 115,006
Federal sources	8,500	8,500	9,716
General Revenues			
FTE and other nonspecific revenues	1,414,004	1,691,016	1,693,576
Charges and other revenues	161,531	212,501	232,637
Total Revenues	<u>1,680,535</u>	<u>2,027,117</u>	<u>2,050,935</u>
CURRENT EXPENDITURES			
Instruction	1,239,555	1,013,989	1,003,434
Board	18,738	17,390	17,390
General administration	70,700	84,551	84,551
School administration	201,255	194,068	168,488
Fiscal services	28,950	33,150	33,150
Central services	73,950	72,150	62,409
Operation of plant	716,806	728,108	725,605
Maintenance of plant	80,000	149,000	125,771
Community Services	2,500	2,500	1,984
Total Current Expenditures	<u>\$ 2,432,454</u>	<u>\$ 2,294,906</u>	<u>\$ 2,222,782</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 Wellington
(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	\$ 20,608
Investments	660,000
Prepaid expenses	102,840
Due from other agencies	<u>611,640</u>
Total Current Assets	1,395,088
Deposits receivable	18,246
Capital assets	874,704
Less: accumulated depreciation	<u>(194,228)</u>
	<u>680,476</u>
Total Assets	<u>2,093,810</u>
<u>Deferred Outflows of Resources</u>	
	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	238,633
Salaries and wages payable	<u>39,673</u>
	278,306
Due to other divisions of Somerset Academy, Inc., long term	<u>1,000,000</u>
Total Liabilities	1,278,306
<u>Deferred Inflows of Resources</u>	
	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	680,476
Unrestricted	<u>135,028</u>
Total Net Position	<u>\$ 815,504</u>

Somerset Academy Wellington
(A charter school under Somerset Academy, Inc.)

Statement of Activities
For the year ended June 30, 2021

	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental activities:					
Instruction	\$ 1,128,304	\$ -	\$ 599,910	\$ -	\$ (528,394)
Board	17,390	-	-	-	(17,390)
General administration	84,551	-	-	-	(84,551)
School administration	168,488	-	-	-	(168,488)
Fiscal services	33,150	-	-	-	(33,150)
Central services	62,409	-	-	-	(62,409)
Operation of plant	743,114	-	-	115,006	(628,108)
Maintenance of plant	125,771	-	-	-	(125,771)
Community Services	1,984	7,567	-	-	5,583
Total governmental activities	<u>2,365,161</u>	<u>7,567</u>	<u>599,910</u>	<u>115,006</u>	<u>(1,642,678)</u>
General revenues:					
FTE and other nonspecific revenues					1,693,576
Other revenue					<u>225,070</u>
Change in net position					275,968
Net position, beginning, as restated					<u>539,536</u>
Net position, ending					<u>\$ 815,504</u>

Somerset Academy Wellington
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2021

	General Fund	Special Revenue Fund	Non-Major Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 10,792	\$ 9,816	\$ -	\$ 20,608
Investments	660,000	-	-	660,000
Due from other agencies	-	-	21,446	21,446
Due from fund	21,446	-	-	21,446
Prepaid expenses	102,840	-	-	102,840
Total Assets	<u>795,078</u>	<u>9,816</u>	<u>21,446</u>	<u>826,340</u>
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Accounts payable	238,633	-	-	238,633
Salaries and wages payable	39,673	-	-	39,673
Due to fund	-	-	21,446	21,446
Total Liabilities	<u>278,306</u>	<u>-</u>	<u>21,446</u>	<u>299,752</u>
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	102,840	-	-	102,840
Assigned	-	9,816	-	9,816
Unassigned	413,932	-	-	413,932
	<u>516,772</u>	<u>9,816</u>	<u>-</u>	<u>526,588</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 795,078</u>	<u>\$ 9,816</u>	<u>\$ 21,446</u>	<u>\$ 826,340</u>

Somerset Academy Wellington
(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 \$ 526,588

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	874,704	
Accumulated depreciation	<u>(194,228)</u>	680,476

Deposits receivable are considered long term and are not financial resources and therefore are not reported in the governmental funds. 18,246

Receivables in governmental activities that are not collected within 60 days are not current financial resources and therefore are not reported in the governmental funds. 590,194

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 \$ 815,504

Somerset Academy Wellington
(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	Non-Major Funds	Total Governmental Funds
Revenues:				
State passed through local	\$ 1,693,576	\$ -	\$ -	\$ 1,693,576
State capital outlay funding	-	-	115,006	115,006
Federal sources	-	9,716	-	9,716
Charges and other revenue	225,070	7,567	-	232,637
Total Revenues	1,918,646	17,283	115,006	2,050,935
Expenditures:				
Current				
Instruction	411,184	592,250	-	1,003,434
Board	17,390	-	-	17,390
General administration	84,551	-	-	84,551
School administration	168,488	-	-	168,488
Fiscal services	33,150	-	-	33,150
Central services	62,409	-	-	62,409
Operation of plant	610,599	-	115,006	725,605
Maintenance of plant	125,771	-	-	125,771
Community Services	-	1,984	-	1,984
Capital Outlay:				
Other capital outlay	283,934	7,660	-	291,594
Total Expenditures	1,797,476	601,894	115,006	2,514,376
Excess (deficit) of revenues over expenditures	121,170	(584,611)	-	(463,441)
Other financing sources (uses)				
Transfers in (out)	(593,427)	593,427	-	-
Repayment to other divisions of Somerset Academy Inc.	(305,039)	-	-	(305,039)
Net change in fund balance	(777,296)	8,816	-	(768,480)
Fund Balance at beginning of year, as restated	1,294,068	1,000	-	1,295,068
Fund Balance at end of year	\$ 516,772	\$ 9,816	\$ -	\$ 526,588

Somerset Academy Wellington
(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 \$ (768,480)

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 exceeded capital outlays.

Capital outlay expenditures	291,594	
Depreciation expense	<u>(142,379)</u>	149,215

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 repayments differed from proceeds in the current period. 305,039

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 did not meet the recognition criteria during the current year and, therefore, were not reported in the governmental funds. 590,194

Change in Net Position of Governmental Activities \$ 275,968

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Wellington f/k/a Somerset Academy of the Arts (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 exist that would require inclusion in the School's financial statements. During the year, the Board elected to change the School's name from Somerset Academy of the Arts to Somerset Academy Wellington.

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, 2024 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 Wellington, Florida for students from kindergarten through eighth grade. These financial statements are for the period ended June 30, 2021, when on average 220 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 and other state allocations; and (3) capital grants specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues, and other miscellaneous sources.

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

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.

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.

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.

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

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.

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.

Cash and Investments

Cash and investments 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.

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Inter-fund Transfers

Outstanding balances between funds are reported as “due to/from other funds”. Inter-fund transfers are made to move any excess or shortage of funds derived from the Special Revenue or Capital Projects Fund to the General Fund.

Due from Other Governments or Agencies

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

Capital Assets

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

Improvements	5 Years
Furniture, Equipment, and Computers	5 Years
Software	3 Years

Compensated Absences

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

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Net Position and Fund Balance Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three 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."

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted resources are available for a specific purpose, it is the District'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 list below:

- a) Nonspendable – includes amounts that cannot be spent because they are either not 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.
- 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 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 and Other Assets

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

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.

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Income Taxes

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

Use of Estimates

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

New Accounting Standard Adopted

In fiscal year 2021, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: Statement No. 84 *Fiduciary Activities*. See Note 10.

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 adoption of GASB 87 will have a material impact on the School's financial position and results of operations. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 29, 2021, which is the date the financial statements were available to be issued.

Note 2 – Cash and Investments

Deposits

The School maintains its cash 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 was approximately \$17,900.

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.

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 2 – Cash and Investments (continued)

At June 30, 2021, the School had \$920,000 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. 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:

	Balance 07/01/20	Additions	Retirements/ Reclassifications	Balance 06/30/21
Capital assets, depreciable:				
Buildings and Improvements	\$ -	\$ 133,250	\$ -	\$ 133,250
Computer equipment	372,882	-	-	372,882
Furniture, equipment and textbooks	210,228	158,344	-	368,572
Total Capital Assets	583,110	291,594	-	874,704
Less Accumulated Depreciation:				
Buildings and Improvements	-	(2,221)	-	(2,221)
Computer equipment	(30,388)	(74,576)	-	(104,964)
Furniture, equipment and textbooks	(21,461)	(65,582)	-	(87,043)
Total Accumulated Depreciation	(51,849)	(142,379)	-	(194,228)
Capital Assets, net	\$ 531,261	\$ 149,215	\$ -	\$ 680,476

Somerset Academy of the Arts
(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	\$ 124,870
Operation of plant	17,509
Total Depreciation Expense	<u>\$ 142,379</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 \$99,450 in fees related to this agreement, of which approximately \$38,000 is included in accounts payable.

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. \$33,300 in connection with these charges.

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

	<u>Balance</u> 07/01/20	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 06/30/21
Due to Somerset Academy, Inc.	\$ 305,039	\$ -	\$(305,039)	\$ -
Somerset Academy Canyons High School	1,000,000	-	-	1,000,000
Total Long Term Debt	<u>\$1,305,039</u>	<u>\$ -</u>	<u>\$(305,039)</u>	<u>\$ 1,000,000</u>

Recoverable Grant

During prior years, the School received recoverable grants totaling of \$700,000 from Somerset Academy, Inc. The purpose of this grant was 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. To date, management has determined that the School has met the requirements for partial repayment under the grant terms and repaid \$225,000 of the outstanding balance. The maximum amount the School may be required to pay in the future should the School meet the requirements for repayment is \$475,000.

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 6 – Commitments, Contingencies, and Concentrations

On March 1, 2019 Somerset Academy, Inc. entered into a facilities lease agreement with Wellington School Property, LLC (“Landlord”) for its facility located at 1000 Wellington Trace, Wellington, Florida. The Landlord is also an affiliate of the School's ESSP (See Note 4). Initial fixed annual payments under the lease agreement are based on a per student amount of \$1,250 per year subject to per student minimums annually of up to 1,025 students. The per student amount will be increased at the beginning of year five of the lease year (August 1, 2023) and every year thereafter based on the Consumer Price Index (“CPI”). The lease agreement continues through June 30, 2039 with options to renew for two additional five-year terms.

The landlord amended the minimum school enrollment amounts for the first three years which was not reflected in the 2020 financial statements. As a result, rent expense was overstated in the prior year. The School’s beginning net position as of June 30, 2021 was restated to reflect this correction. See Note 10.

Rent expense for the year ended June 30, 2021 amounted to \$277,500.

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

Year	
2022	\$ 500,000
2023	\$ 812,500
2024	\$ 1,281,250
2025	\$ 1,281,250
2026	\$ 1,281,250
2027-2031	\$ 6,406,250 (total for five-year period)
2032-2036	\$ 6,406,250 (total for five-year period)
2037-2039	\$ 3,843,750 (total for three-year period)

Contingencies and Concentrations

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

Sponsoring District

The School 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.

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 6 – Commitments, Contingencies, and Concentrations (continued)

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 \$84,551.

Note 7 – Interfund Transfers

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

	General Fund	Special Revenue Fund	Non-Major Funds
To fund ESSER federal expenditures for which revenues were not available	\$ (57,231)	\$ 57,231	\$ -
To fund GEER's federal expenditures for which revenues were not available	(532,963)	532,963	-
To transfer the Internal Account funds	(3,233)	3,233	-
Total Transfers, net	<u>\$ (593,427)</u>	<u>\$ 593,427</u>	<u>\$ -</u>
	General Fund	Special Revenue Fund	Non-Major Funds
Due to General Fund from Capital Projects Fund for Capital Outlay	<u>\$ 21,446</u>	<u>\$ -</u>	<u>\$ (21,446)</u>
Total Due from/(Due to)	<u>\$ 21,446</u>	<u>\$ -</u>	<u>\$ (21,446)</u>

Note 8 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage 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 agreement, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

Note 9 – Defined Contribution Retirement Plan

The School’s personnel, 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 \$18,298 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.

Somerset Academy of the Arts

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 10 – Restatement

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 year end 2020 financial statements did not reflect the amended minimum school enrollment figures provided by the landlord which resulted in an overstatement of rent expense.

The government-wide net position and fund balances were restated as a result of the implementation of GASB Statement No. 84 and the correction of an error as detailed in Note 6. The change in beginning net position and fund balances is as follows:

	Fiscal Year June 30, 2020 <u>Original</u>	Correction of an Error	GASB Statement No.84	Fiscal Year June 30, 2021 <u>(Restated)</u>
Net change in fund balances	\$ 887,820			\$ 887,820
Fund balances (deficit) at beginning	-			-
Restatement of beginning fund balances	-	406,248	1,000	407,248
Fund balances (deficit) at the end of year	<u>\$ 887,820</u>			<u>\$ 1,295,068</u>
Change in net position	\$ 132,288			\$ 132,288
Net position (deficit), beginning	-			-
Restatement of beginning net position	-	406,248	1,000	407,248
Net position (deficit), ending	<u>\$ 132,288</u>			<u>\$ 539,536</u>

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Wellington
(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	\$ 1,414,004	\$ 1,691,016	\$ 1,693,576
Charges and other revenue	155,010	205,001	225,070
Total Revenues	<u>1,569,014</u>	<u>1,896,017</u>	<u>1,918,646</u>
EXPENDITURES			
Current:			
Instruction	638,105	413,837	411,184
Board	18,738	17,390	17,390
General administration	70,700	84,551	84,551
School Administration	201,255	194,068	168,488
Fiscal Services	28,950	33,150	33,150
Central Services	73,950	72,150	62,409
Operation of Plant	620,306	613,008	610,599
Maintenance of Plant	80,000	149,000	125,771
Total Current Expenditures	<u>1,732,004</u>	<u>1,577,154</u>	<u>1,513,542</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>(162,990)</u>	<u>318,863</u>	<u>405,104</u>
Capital Outlay	<u>284,110</u>	<u>284,110</u>	<u>283,934</u>
Total Expenditures	<u>2,016,114</u>	<u>1,861,264</u>	<u>1,797,476</u>
Excess (Deficit) of Revenues Over Expenditures	(447,100)	34,753	121,170
Other financing sources (uses):			
Transfers in (out)	(588,929)	(590,000)	(593,427)
Repayment to other divisions of Somerset Academy Inc.	<u>-</u>	<u>(305,039)</u>	<u>(305,039)</u>
Net change in fund balance	(1,036,029)	(860,286)	(777,296)
Fund Balance at beginning of year, as restated	<u>1,294,068</u>	<u>1,294,068</u>	<u>1,294,068</u>
Fund Balance at end of year	<u>\$ 258,039</u>	<u>\$ 433,782</u>	<u>\$ 516,772</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 Wellington
(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	\$ 8,500	\$ 8,500	\$ 9,716
Charges and other revenue	6,521	7,500	7,567
Total Revenues	<u>15,021</u>	<u>16,000</u>	<u>17,283</u>
EXPENDITURES			
Current:			
Instruction	601,450	600,152	592,250
Community Services	<u>2,500</u>	<u>2,500</u>	<u>1,984</u>
Total Current Expenditures	<u>603,950</u>	<u>602,652</u>	<u>594,234</u>
Excess of Revenues Over Current Expenditures	<u>(588,929)</u>	<u>(586,652)</u>	<u>(576,951)</u>
Capital Outlay	<u>8,500</u>	<u>8,500</u>	<u>7,660</u>
Total Expenditures	<u>612,450</u>	<u>611,152</u>	<u>601,894</u>
Excess of Revenues Over Expenditures	(597,429)	(595,152)	(584,611)
Other financing sources (uses)			
Transfers in (out)	<u>588,929</u>	<u>590,000</u>	<u>593,427</u>
Net change in fund balance	(8,500)	(5,152)	8,816
Fund Balance at beginning of year, as restated	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Fund Balance at end of year	<u>\$ (7,500)</u>	<u>\$ (4,152)</u>	<u>\$ 9,816</u>

Notes to Budgetary Comparison Schedule

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



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

To the Board of Directors of
Somerset Academy Wellington
Wellington, 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 Wellington (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.

Compliance and Other Matters

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

We issued a separate management letter dated September 29, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2021



MANAGEMENT LETTER

To the Board of Directors of
Somerset Academy Wellington
Wellington, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Wellington, 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 schedule, 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 or recommendations made 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 Wellington, 4031.

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 Wellington 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 Wellington 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 Wellington. It is management's responsibility to monitor Somerset Academy Wellington'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 Wellington 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 Wellington 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