



Somerset Palms Academy
(A charter school under
Somerset Academy, Inc.)
WL# 5015

Miami, 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>	15-28
Required Supplementary Information:	
Budgetary comparison schedules.	29-30
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>	31-32
Management Letter	33-34

Somerset Palms Academy
(A charter school under Somerset Academy, Inc.)
WL# 5015

12001 SW 72 Street
Miami, Florida 33183

2020-2021

BOARD OF DIRECTORS

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

SCHOOL ADMINISTRATION

Suzette Ruiz, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President
Suzette Ruiz, Vice-President



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Palms Academy
Miami, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Palms Academy (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 Palms Academy 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 Palms Academy 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 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.

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 29 through 30 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 14, 2021

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

The corporate officers of Somerset Palms Academy 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 net position of the School at June 30, 2021 was \$31,960.
2. At year-end, the School had current assets on hand of \$531,515.
3. The School had an increase in its net position of \$22,276 for the year ended June 30, 2021.
4. The unassigned fund balance at year end was a deficit of \$(40,153).

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 general fund 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 – 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by \$31,960 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	\$ 70,445	\$ 26,673
Investments	110,000	164,000
Prepaid expenses	14,351	-
Due from other agencies	336,719	19,971
Capital assets, net	458,739	471,731
Deposit receivable	50,000	50,000
Total Assets	1,040,254	732,375
Deferred outflows of resources	-	-
Accounts payable	138,844	43,229
Salaries and wages payable	86,370	47,065
Current portion of note payable	60,737	44,044
Note payable, long-term	123,177	97,403
Due to Somerset Academy, Inc.	599,166	499,166
Total Liabilities	1,008,294	730,907
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets and deposits	256,795	199,079
Unrestricted	(224,835)	(197,611)
Total Net Position	\$ 31,960	\$ 1,468

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

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
REVENUES		
Program Revenues		
Capital Outlay Funding	\$ 121,214	\$ 79,622
Federal Sources	434,503	212,897
Lunch program charges for services	13,183	10,925
General Revenues		
Local Sources (FTE and other non specific)	1,620,168	1,233,731
Charge for services and other revenue	16,904	14,682
Total Revenues	<u>\$ 2,205,972</u>	<u>\$ 1,551,857</u>
EXPENSES		
Instruction	\$ 929,514	\$ 662,344
Student support services	61,783	-
Instructional staff training services	2,000	2,640
Board	96,615	13,376
School administration	288,333	233,817
Fiscal services	34,125	23,625
Food services	48,506	37,658
Central services	45,641	56,435
Operation of plant	504,013	393,013
Maintenance of plant	161,146	147,826
Community services	7,260	-
Interest on long-term debt	4,760	5,893
Total Expenses	<u>2,183,696</u>	<u>1,576,627</u>
Increase (Decrease) in Net Position	22,276	(24,770)
Net Position at Beginning of Year, as restated	9,684	26,238
Net Position at End of Year	<u>\$ 31,960</u>	<u>\$ 1,468</u>

The school's revenue and expenses increased by \$654,1151 and \$607,069, respectively, as a result of an increase in enrollment. The School had an increase in its net position of \$22,276 with an enrollment increase of 71 students.

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 \$(25,802). The fund balance unassigned and available for spending at the School's discretion is \$(40,153). 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 \$458,739 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, textbooks, leasehold improvements and computer equipment. As of June 30, 2021, the School had \$183,914 of debt associated to its capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School’s fiscal year, the Board of the 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	\$ 116,461	\$ 121,150	\$ 121,214
Federal sources	238,300	130,150	130,778
Lunch program charges for services	12,850	13,050	13,183
General Revenues			
FTE nonspecific revenues	1,587,262	1,607,776	1,620,168
Charges for services and other revenues	38,459	16,257	16,904
Total Revenues	<u>\$ 1,993,332</u>	<u>\$ 1,888,383</u>	<u>\$ 1,902,247</u>
CURRENT EXPENDITURES			
Instruction	\$ 806,331	\$ 819,269	\$ 809,718
Student support services	63,110	62,332	61,783
Instructional staff training services	5,000	5,000	2,000
Board	18,194	98,550	96,615
School administration	309,965	294,373	286,113
Fiscal services	32,775	34,200	34,125
Food services	30,102	49,811	48,506
Central services	58,775	53,200	45,641
Operation of plant	372,872	475,811	472,693
Maintenance of plant	122,954	166,700	157,754
Community services	8,000	8,000	7,260
Total Current Expenditures	<u>\$ 1,828,078</u>	<u>\$ 2,067,246</u>	<u>\$ 2,022,208</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 Dade, LLC, 6340 Sunset Drive, Miami, Florida 33143.

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

Statement of Net Position
June 30, 2021

	Primary Governmental Activities
<u>Assets</u>	
Current assets:	
Cash	\$ 70,445
Investments	110,000
Due from other agencies	336,719
Prepaid expenses	14,351
Total Current Assets	531,515
Capital assets, depreciable	756,546
Less: accumulated depreciation	(297,807)
	458,739
Deposit receivable	50,000
Total Assets	1,040,254
<u>Deferred Outflows of Resources</u>	-
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	138,844
Salaries and wages payable	86,370
Current portion of note payable	60,737
Total Current Liabilities	285,951
Note payable, long-term	123,177
Due to Somerset Academy, Inc.	599,166
Total Liabilities	1,008,294
<u>Deferred Inflows of Resources</u>	-
<u>Net Position</u>	
Net investment in capital assets and deposits Unrestricted	256,795
Total Net Position	\$ 31,960

The accompanying notes are an integral part of these financial statements.

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

Statement of Activities
For the year ended June 30, 2021

Primary Government	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 929,514	\$ -	\$ 317,410	\$ -	\$ (612,104)
Student support services	61,783	-	61,783	-	-
Instructional staff training services	2,000	-	-	-	(2,000)
Board	96,615	-	-	-	(96,615)
School administration	288,333	-	2,770	-	(285,563)
Fiscal services	34,125	-	-	-	(34,125)
Food services	48,506	13,183	34,418	-	(905)
Central services	45,641	-	-	-	(45,641)
Operation of plant	504,013	-	8,122	121,214	(374,677)
Maintenance of plant	161,146	-	10,000	-	(151,146)
Community services	7,260	10,763	-	-	3,503
Interest on long-term debt	4,760	-	-	-	(4,760)
Total governmental activities	2,183,696	23,946	434,503	121,214	(1,604,033)
General revenues:					
FTE and other nonspecific revenues					1,620,168
Interest and other revenues					6,141
Change in net position					22,276
Net position, beginning, as restated					9,684
Net position, ending					\$ 31,960

The accompanying notes are an integral part of these financial statements.

Somerset Palms Academy
(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	\$ 42,067	\$ 28,378	\$ -	\$ 70,445
Investments	110,000	-	-	110,000
Due from other agencies	7,912	11,092	13,990	32,994
Due from fund	25,082	-	-	25,082
Prepaid expenses	14,351	-	-	14,351
Total Assets	<u>199,412</u>	<u>39,470</u>	<u>13,990</u>	<u>252,872</u>
<u>Deferred Outflows of Resources</u>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>				
Salaries and wages payable	86,370	-	-	86,370
Accounts payable	138,844	-	-	138,844
Due to fund	-	11,092	13,990	25,082
Total Liabilities	<u>225,214</u>	<u>11,092</u>	<u>13,990</u>	<u>250,296</u>
<u>Deferred Inflows of Resources</u>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund balance</u>				
Nonspendable, not in spendable form	14,351	-	-	14,351
Assigned	-	28,378	-	28,378
Unassigned	(40,153)	-	-	(40,153)
	<u>(25,802)</u>	<u>28,378</u>	<u>-</u>	<u>2,576</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 199,412</u>	<u>\$ 39,470</u>	<u>\$ 13,990</u>	<u>\$ 252,872</u>

The accompanying notes are an integral part of these financial statements.

Somerset Palms Academy
(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 \$ 2,576

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

Capital assets of \$756,546 net of accumulated depreciation of \$297,807 used in governmental activities are not financial resources and therefore are not reported in the fund. 458,739

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. 303,725

Deposit receivables in governmental activities are not financial resources and therefore are not reported in the governmental fund. 50,000

Long-term debt of \$783,080 were not due and payable in the current period and therefore are not reported in the governmental funds. (783,080)

Total Net Position - Governmental Activities \$ 31,960

The accompanying notes are an integral part of these financial statements.

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

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

	General Fund	Special Revenue Fund	Non-Major Funds	Total Governmental Funds
Revenues:				
State capital outlay funding	\$ -	\$ -	\$ 121,214	\$ 121,214
State passed through local	1,620,168	-	-	1,620,168
Federal sources	-	130,778	-	130,778
Lunch program charges for services	-	13,183	-	13,183
Charge for services and other revenues	6,141	10,763	-	16,904
Total Revenues	1,626,309	154,724	121,214	1,902,247
Expenditures:				
Current				
Instruction	559,468	250,250	-	809,718
Student support services	-	61,783	-	61,783
Instructional staff training services	2,000	-	-	2,000
Board	96,615	-	-	96,615
School administration	283,343	2,770	-	286,113
Fiscal services	34,125	-	-	34,125
Food services	-	48,506	-	48,506
Central services	45,641	-	-	45,641
Operation of plant	343,357	8,122	121,214	472,693
Maintenance of plant	147,754	10,000	-	157,754
Community services	-	7,260	-	7,260
Capital Outlay:				
Other capital outlay	76,576	67,160	-	143,736
Debt Service:				
Repayment of principal	-	-	175,961	175,961
Interest	-	-	4,760	4,760
Total Expenditures	1,588,879	455,851	301,935	2,346,665
Excess (Deficit) of revenues over expenditures	37,430	(301,127)	(180,721)	(444,418)
Transfers in (out)	(502,010)	321,289	180,721	-
Proceeds from notes payable	218,428	-	-	218,428
Long term advances from Somerset Academy, Inc.	100,000	-	-	100,000
Net change in fund balance	(146,152)	20,162	-	(125,990)
Fund Balance at beginning of year, as restated	120,350	8,216	-	128,566
Fund Balance at end of year	\$ (25,802)	\$ 28,378	\$ -	\$ 2,576

The accompanying notes are an integral part of these financial statements.

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

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

Net Change in Fund Balance - Governmental Funds \$ (125,990)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$145,736 differed depreciation expense of \$156,728. (12,992)

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. 303,725

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 principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds of \$318,428 exceeded payments of \$175,961 in the current period. (142,467)

Change in Net Position of Governmental Activities \$ 22,276

The accompanying notes are an integral part of these financial statements.

Somerset Palms Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Palms Academy (the "School"), is a Charter School sponsored by the School Board Miami-Dade County, Florida (the "District"). The Schools' charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc., which is composed of five members and also governs other charter schools. The board of directors has determined that no component units exist that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2022 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 Miami-Dade County and serves students from kindergarten through fifth grade. These financial statements are for the year ended June 30, 2021, when on average 228 students were enrolled for the school year.

Basis of Presentation

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

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 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.

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Somerset Palms Academy

(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.

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

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

Inter-fund Transfers

Inter-fund transfers include reimbursements between funds for payments made by one fund on behalf of another fund. These transfers may result in short-term inter-fund receivables/payables ("due from/to").

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.

Somerset Palms Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 of individual items or groups of like items with cost a of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the government-wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds. Estimated useful lives for depreciable assets are as follows:

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

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to receive one day per month up to ten days of active work during the ten-month period (a "benefit year"). In the event that available time is not used by the end of the benefit year, employees may "rollover" all unused days for use in future benefit years. Employees may "cash out" unused sick days, however, employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to maintain a minimum of twenty-one unused days in order to cash out. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

Somerset Palms Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

GASB Codification Section C60, Accounting for Compensated Absences, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Long-Term Debt

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.

Revenue Sources

Revenues for current operations are received primarily from the state through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School reports 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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

Net Position and Fund Balance Classifications

Government-wide financial statements

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

- a) Net investment in capital assets and long-term deposits - consists of capital assets net of accumulated depreciation and long-term deposits 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 and long-term deposits."

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 list below:

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with prepaid expenses (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.

Note 1 – Summary of Significant Accounting Policies (continued)

- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. As of June 30, 2021, there is \$28,378 in restricted cash in connection with 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 balances classifications could be used.

Income Taxes

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

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 14, 2021, which is the date the financial statements were available to be issued.

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 9.

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 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 \$50,596.

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 \$150,000 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.

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

Note 2 – Cash and Investments (continued)

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:				
Computer software	\$ 20,083	\$ -	\$ -	\$ 20,083
Building and improvements	7,220	-	-	7,220
Audio visual	4,995	46,480	-	51,475
Furniture, equipment and textbooks	580,512	97,256	-	677,768
Total Capital Assets	<u>612,810</u>	<u>143,736</u>	<u>-</u>	<u>756,546</u>
Less Accumulated Depreciation:				
Computer Software	(7,137)	(6,694)	-	(13,831)
Building and improvements	(1,911)	(1,036)	-	(2,947)
Audio visual	(833)	(9,520)	-	(10,353)
Furniture, equipment and textbooks	(131,198)	(139,478)	-	(270,676)
Total Accumulated Depreciation	<u>(141,079)</u>	<u>(156,728)</u>	<u>-</u>	<u>(297,807)</u>
Capital Assets, net	<u>\$ 471,731</u>	<u>\$ (12,992)</u>	<u>\$ -</u>	<u>\$ 458,739</u>

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

Instruction	\$	119,796
School Administration		2,220
Operation of Plant		31,320
Maintenance of plant		3,392
Total Depreciation Expense	<u>\$</u>	<u>156,728</u>

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

Note 4 – Education Service and Support Provider

Academica Dade, LLC, an education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services.

The agreement calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. through June 30, 2022, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2021, the School incurred \$102,375 in fees of which \$15,975 are included in accounts payable at year end.

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

Somerset Academy, Inc. (the “Corporation”) charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During 2021, the School paid \$34,200 to the Corporation for these shared costs.

Recoverable Grant

During 2019, the School received \$740,000 recoverable grant from Somerset Academy, Inc. Repayment of this grant is contingent on the School subsequently meeting certain financial conditions. During 2021, the School paid \$80,000 of the recoverable grant. The maximum amount the School may be required to pay in the future should the School meet the requirements for repayment is \$660,000.

The School received long-term, non-interest bearing advances from Somerset Academy, Inc.. The note is due and payable within three years from the date of advance. The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2021:

	Balance 07/01/20	Additions	Repayments	Balance 06/30/21
Somerset Academy Inc.	\$ 499,166	\$ 100,000	\$ -	\$ 599,166
	<u>\$ 499,166</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 599,166</u>

Somerset Palms Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 6 – Commitments, Contingencies and Concentrations

On April 1, 2018, the School entered into an educational facilities license agreement with Sunset Church of Christ, Inc. for use of its facility. Initial annual payments under this agreement are \$225,000 per annum based on an amount of \$1,000 per student per annum, with a minimum annual guarantee of 225 students for the years 2018 through 2023 for the use of the facility, with an option to renew for an additional five years. In addition to the Base Rent, tenant shall pay to Landlord a Student Census Annual Payment of \$1,000 per student per annum for every student enrolled at the School over 225. In order to determine the Student Census Annual Payment, Tenant shall provide to Landlord a certification as to its total number of students in that contract year. The certification shall be delivered to Landlord by Tenant by October 31 of each year during the Initial term or Renewal Term as applicable.

For 2021, rent expense totaled \$228,000.

Future minimum payments for the full lease are as follows:

<u>Year</u>	<u>Sunset Church of Christ, Inc.</u>
2022	\$ 225,000
2023	\$ 225,000

Contingencies and Concentrations

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

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of up to 5% of the qualifying revenues of the School and up to and including 250 students. For the year ended June 30, 2021, administrative fees totaled \$77,678.

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

Note 7 – Long Term Debt

On July 24, 2019 the School obtained equipment financing from a financial institution for a total amount of \$180,288. The agreement requires 48 monthly payments of principal and interest based on a fixed interest rate of 3.95%. On November 16, 2020 this loan was refinanced.

On November 16, 2020 the School refinanced the equipment financing loan with a new equipment financing loan from a different financial institution for a total amount of \$138,586. The agreement requires 36 monthly payments of principal and interest based on a fixed interest rate of 3.25%. As of June 30, 2021 the outstanding balance was \$112,686.

On November 16, 2020 the School obtained a new equipment financing loan from a financial institution for a total amount of \$79,840. The agreement requires 60 monthly payments of principal and interest based on a fixed interest rate of 3.50%. As of June 30, 2021 the outstanding balance was \$71,228.

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

	Balance 07/01/20	Advances	Repayments	Balance 06/30/21
Due to Financial Institution	<u>\$ 141,447</u>	<u>\$ 218,428</u>	<u>\$ (175,961)</u>	<u>\$ 183,914</u>
Total Long Term Debt	<u>\$ 141,447</u>	<u>\$ 218,428</u>	<u>\$ (175,961)</u>	<u>\$ 183,914</u>

Future minimum payments for the equipment loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 60,737	\$ 5,239
2023	62,780	3,196
2024	36,342	1,315
2025	24,055	636
	<u>\$ 183,914</u>	<u>\$ 10,386</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's debt agreements contain various covenants, restrictions and financial test requirements. In the event of default, the maturity can be accelerated and/or the underlying collateral may be subject to foreclosure.

Somerset Palms Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2021

Note 8 – Risk Management (continued)

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 9 – 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 Original	GASB Statement No.84	Fiscal Year June 30, 2021 (Restated)
Net change in fund balances	\$ 110,920		\$ 110,920
Fund balances (deficit) at beginning	9,430		9,430
Restatement of beginning fund balances	-	8,216	8,216
Fund balances (deficit) at the end of year	<u>\$ 120,350</u>		<u>\$ 128,566</u>
Change in net position	\$ (24,770)		\$ (24,770)
Net position (deficit), beginning	26,238		26,238
Restatement of beginning net position		8,216	8,216
Net position (deficit), ending	<u>\$ 1,468</u>		<u>\$ 9,684</u>

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

Note 10 – Interfund Transfer

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

	General Fund	Special Revenue Fund	Non- Major Governmental Funds
To fund lunch deficit	\$ (905)	\$ 905	\$ -
To fund debt service fund for principal and interest payments	(180,721)	-	180,721
Transfer in beginning internal account balance	(16,659)	16,659	-
To fund GEER federal expenditures for which revenues were not collected	(184,835)	184,835	-
To fund ESSER II federal expenditures for which revenues were not collected	(118,890)	118,890	-
Total Transfers, net	<u>\$ (502,010)</u>	<u>\$ 321,289</u>	<u>\$ 180,721</u>
Due from/(due to) balances:			
Due to General Fund from Capital Projects Fund for capital outlay	\$ 13,990	\$ -	\$ (13,990)
Due to General Fund from Special Revenue Fund for Title IV	11,092	(11,092)	-
Total Due from/(Due to)	<u>\$ 25,082</u>	<u>\$ (11,092)</u>	<u>\$ (13,990)</u>

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 School matches 100% of the employee’s contributions up to 4% of employee’s compensation. The School contributed \$24,377 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.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Palms Academy
(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	\$ 1,587,262	\$ 1,607,776	\$ 1,620,168
Charge for services and other revenue	28,500	6,000	6,141
Total Revenues	<u>1,615,762</u>	<u>1,613,776</u>	<u>1,626,309</u>
EXPENDITURES			
Current:			
Instruction	568,031	568,469	559,468
Instructional staff training services	5,000	5,000	2,000
Board	18,194	98,550	96,615
School administration	306,465	291,373	283,343
Fiscal services	32,775	34,200	34,125
Central services	58,775	53,200	45,641
Operation of plant	246,911	345,911	343,357
Maintenance of plant	111,500	156,500	147,754
Total Current Expenditures	<u>1,347,651</u>	<u>1,553,203</u>	<u>1,512,303</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>268,111</u>	<u>60,573</u>	<u>114,006</u>
Capital Outlay	<u>80,200</u>	<u>80,200</u>	<u>76,576</u>
Total Expenditures	<u>1,427,851</u>	<u>1,633,403</u>	<u>1,588,879</u>
Excess (Deficit) of Revenues Over Expenditures	187,911	(19,627)	37,430
Other financing sources (uses):			
Transfers in (out)	(171,397)	(487,747)	(502,010)
Long term advances from Somerset Academy, Inc.	-	100,000	100,000
Proceeds from notes payable	-	218,428	218,428
Net change in fund balance	16,514	(188,946)	(146,152)
Fund Balance at beginning of year	<u>120,350</u>	<u>120,350</u>	<u>120,350</u>
Fund Balance at end of year	<u>\$ 136,864</u>	<u>\$ (68,596)</u>	<u>\$ (25,802)</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 Palms Academy
(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	\$ 238,300	\$ 130,150	\$ 130,778
Lunch program charges for services	12,850	13,050	13,183
Charge for services and other revenues	9,959	10,257	10,763
Total Revenues	<u>261,109</u>	<u>153,457</u>	<u>154,724</u>
EXPENDITURES			
Current:			
Instruction	238,300	250,800	250,250
Student support services	63,110	62,332	61,783
School administration	3,500	3,000	2,770
Food services	30,102	49,811	48,506
Operation of plant	9,500	8,750	8,122
Maintenance of plant	11,454	10,200	10,000
Community services	8,000	8,000	7,260
Total Current Expenditures	<u>363,966</u>	<u>392,893</u>	<u>388,691</u>
Excess of Revenues Over Current Expenditures	<u>(102,857)</u>	<u>(239,436)</u>	<u>(233,967)</u>
Capital Outlay	<u>68,540</u>	<u>67,590</u>	<u>67,160</u>
Total Expenditures	<u>432,506</u>	<u>460,483</u>	<u>455,851</u>
Deficit of Revenues Over Expenditures	(171,397)	(307,026)	(301,127)
Other financing sources (uses)			
Transfers in (out)	<u>171,397</u>	<u>307,026</u>	<u>321,289</u>
Net change in fund balance	-	-	20,162
Fund Balance at beginning of year, as restated	<u>8,216</u>	<u>8,216</u>	<u>8,216</u>
Fund Balance at end of year	<u>\$ 8,216</u>	<u>\$ 8,216</u>	<u>\$ 28,378</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 Palms Academy
Miami, 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 Palms Academy (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 14, 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 to determine the 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 determination of financial statement 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 14, 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 14, 2021



MANAGEMENT LETTER

To the Board of Directors of
Somerset Palms Academy
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Palms Academy, Miami, Florida as of and for the fiscal year ended June 30, 2021 and have issued our report thereon dated September 14, 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 14, 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 annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Somerset Palms Academy, 5015.

Financial Condition and Management

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

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Somerset Palms Academy. It is management's responsibility to monitor Somerset Palms Academy's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires us to address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have such recommendations.

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether Somerset Palms Academy maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Somerset Palms Academy maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, 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 have 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 Miami-Dade 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 14, 2021