



Somerset Academy Lakes Charter School
WL# 4091

(A charter school under
Somerset Academy, Inc.)

West Palm Beach, Florida

Financial Statements and
Independent Auditors' Report
June 30, 2023

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

2845 Summit Blvd.
West Palm Beach, Florida 33406

2022-2023

BOARD OF DIRECTORS

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

SCHOOL ADMINISTRATION

Clint Duvo, Principal

OTHER NON-VOTING OFFICERS:

Bernardo Montero, President
Suzette Ruiz, Vice-President



INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Lakes Charter School (the "School"), a charter school under Somerset Academy, Inc. as of, and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Somerset Academy Lakes Charter School as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of a Matter – Presentation

As described in Note 1, the accompanying financial statements referred to above present only the financial position and change in financial position of Somerset Academy Lakes Charter School that is attributable to the transactions of the School and is not intended to be a complete presentation of Somerset Academy, Inc. These financial statements do not purport to, and do not, present fairly the financial position of Somerset Academy, Inc. as of June 30, 2023, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.



Coral Gables, Florida
September 29, 2023

CERTIFIED PUBLIC ACCOUNTANTS

Management's Discussion and Analysis

Somerset Academy Lakes Charter School
(A Charter School under Somerset Academy, Inc.)
June 30, 2023

The corporate officers of Somerset Academy, Inc., have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2023.

Financial Highlights

1. The School's net position as of June 30, 2023 was \$117,313.
2. At year-end, the School had current assets on hand of \$1,260,832.
3. The School had a increase in its net position of \$24,582 for the year ended June 30, 2023.
4. The unassigned fund balance at year end was \$964,454.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2023, are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the School's assets, 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 10-11 of this report.

Fund Financial Statements

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

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

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

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

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16 – 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, net position is \$117,313 at the close of the fiscal year. A summary of the School's net position as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 378,651	\$ 31,889
Investments	670,000	816,700
Prepaid expenses and other assets	4,096	85,479
Due from other agencies	208,085	216,982
Due from other SLAM Palm Beach	-	100,000
Capital assets and right of use asset, net	<u>6,045,467</u>	<u>6,531,314</u>
Total Assets	<u>7,306,299</u>	<u>7,782,364</u>
Deferred outflows of resources	-	-
Accounts payable	9,015	66,281
Salaries and wages payable	139,319	147,300
Deferred revenue	127,315	242,133
Due to other divisions of Somerset Academy, Inc.	900,000	900,000
Lease liability	<u>6,013,337</u>	<u>6,333,919</u>
Total Liabilities	<u>7,188,986</u>	<u>7,689,633</u>
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	32,130	197,395
Unrestricted	<u>85,183</u>	<u>(104,664)</u>
Total Net Position	<u>\$ 117,313</u>	<u>\$ 92,731</u>

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

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

	<u>2023</u>	<u>2022</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 344,957	\$ 317,818
Capital Outlay Funding	346,553	337,885
Charges for Services	133,393	156,315
General Revenues		
Local Sources (FTE and other non specific)	4,038,923	3,375,170
Other revenues	252,834	135,497
Total Revenues	<u>\$ 5,116,660</u>	<u>\$ 4,322,685</u>
EXPENSES		
Instruction	\$ 2,695,491	\$ 2,296,575
Instructional staff training	3,096	6,056
Student support services	113,082	29,428
Board	27,633	22,939
School administration	591,064	589,430
Fiscal services	61,650	61,875
Food services	1,577	1,577
Central services	81,779	82,515
Student transportation services	7,335	-
Operation of plant	862,345	787,761
Maintenance of plant	194,869	124,882
Interest on long-term debt	309,418	324,948
Community Services	142,739	165,686
Total Expenses	<u>5,092,078</u>	<u>4,493,672</u>
Increase (decrease) in Net Position	24,582	(170,987)
Net Position at Beginning of Year	92,731	263,718
Net Position at End of Year	<u>\$ 117,313</u>	<u>\$ 92,731</u>

In the current year revenues and expenses increased by \$793,975 and \$598,406, respectively. The School had an increase in its net position of \$24,582 for the year.

School Location and Lease of Facility

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

Capital Improvement Requirements

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

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

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

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$968,550. The fund balance unassigned and available for spending at the School's discretion is \$964,454. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets (including right of use lease assets) as of June 30, 2023, amounts to \$6,045,467 (net of accumulated depreciation and amortization). This investment in capital assets includes right of use lease asset (building), building and improvements, furniture, fixtures and equipment. The School has long term liabilities of \$6,013,337 associated to capital assets and working capital.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 273,045	\$ 344,892	\$ 346,553
Federal sources	569,853	418,292	424,025
General Revenues			
FTE and other nonspecific revenues	3,710,746	4,037,202	4,038,923
Charges and other revenues	373,200	384,706	386,227
Total Revenues	<u>4,926,844</u>	<u>5,185,092</u>	<u>5,195,728</u>
CURRENT EXPENDITURES			
Instruction	2,595,291	2,655,187	2,652,782
Student support services	52,817	115,832	113,082
Instructional staff training	3,200	4,729	3,096
Board	28,156	28,923	27,633
School administration	547,770	591,121	588,929
Fiscal services	62,625	63,822	61,650
Central services	85,625	82,399	81,779
Student transportation services	9,000	8,399	7,335
Operation of plant	390,287	376,729	375,816
Maintenance of plant	126,858	193,029	192,919
Community Services	175,000	143,789	142,739
Total Current Expenditures	<u>\$ 4,076,629</u>	<u>\$ 4,263,959</u>	<u>\$ 4,247,760</u>

Most variances occurred as a result of the budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Broward, LLC, 6340 Sunset Drive, Miami, Florida 33143.

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

Statement of Net Position
June 30, 2023

	Primary Government Governmental Activities
<u>Assets</u>	
Current assets:	
Cash	\$ 378,651
Investments	670,000
Prepaid expenses and other assets	4,096
Due from other agencies	208,085
Total Current Assets	1,260,832
Capital assets, net:	
Capital assets	793,971
Less: accumulated depreciation	(499,952)
Right of use lease asset	6,636,284
Less: accumulated amortization	(884,836)
Total Capital Assets, net	6,045,467
Total Assets	7,306,299
<u>Deferred Outflows of Resources</u>	-
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	9,015
Salaries and wages payable	139,319
Deferred revenue	127,315
Current portion of lease liability	336,986
	612,635
Due to other divisions of Somerset Academy, Inc.	900,000
Lease liabilities, long term	5,676,351
Total Liabilities	7,188,986
<u>Deferred Inflows of Resources</u>	-
<u>Net Position</u>	
Net investment in capital assets	32,130
Unrestricted	85,183
Total Net Position	\$ 117,313

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

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

Statement of Activities

For the year ended June 30, 2023

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	\$ 2,695,491	\$ -	\$ 343,457	\$ -	\$ (2,352,034)
Instructional staff training	3,096	-	-	-	(3,096)
Student support services	113,082	-	-	-	(113,082)
Board	27,633	-	-	-	(27,633)
School administration	591,064	-	1,500	-	(589,564)
Fiscal services	61,650	-	-	-	(61,650)
Food services	1,577	-	-	-	(1,577)
Central services	81,779	-	-	-	(81,779)
Student transportation services	7,335	-	-	-	(7,335)
Operation of plant	862,345	2,044	-	346,553	(513,748)
Maintenance of plant	194,869	-	-	-	(194,869)
Debt service	309,418	-	-	-	(309,418)
Community Services	142,739	131,349	-	-	(11,390)
Total governmental activities	5,092,078	133,393	344,957	346,553	(4,267,175)

General revenues:

FTE and other nonspecific revenues	4,038,923
Other revenue	252,834

Change in net position 24,582

Net position, beginning	92,731
Net position, ending	\$ 117,313

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

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

Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 362,018	\$ 16,633	\$ -	\$ 378,651
Investments	670,000	-	-	670,000
Due from other agencies	-	186,320	21,765	208,085
Due from fund	208,085	-	-	208,085
Prepaid expenses	4,096	-	-	4,096
Total Assets	1,244,199	202,953	21,765	1,468,917
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Accounts payable	9,015	-	-	9,015
Salaries and wages payable	139,319	-	-	139,319
Deferred Revenue	127,315	-	-	127,315
Due to fund	-	186,320	21,765	208,085
Total Liabilities	275,649	186,320	21,765	483,734
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	4,096	-	-	4,096
Assigned	-	16,633	-	16,633
Unassigned	964,454	-	-	964,454
	968,550	16,633	-	985,183
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,244,199	\$ 202,953	\$ 21,765	\$ 1,468,917

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

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds \$ 985,183

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

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

Capital assets	7,430,255	
Accumulated depreciation and amortization	<u>(1,384,788)</u>	6,045,467

Long term liabilities which are not due and payable in the current period and therefore is not reported in the governmental funds.

(6,913,337)

Total Net Position - Governmental Activities \$ 117,313

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
State passed through local and other local	\$ 4,038,923	\$ -	\$ -	\$ 4,038,923
State capital outlay funding	-	-	346,553	346,553
Federal sources	-	424,025	-	424,025
Charges and other revenue	254,878	131,349	-	386,227
Total Revenues	4,293,801	555,374	346,553	5,195,728
Expenditures:				
Current				
Instruction	2,371,937	280,845	-	2,652,782
Student support services	113,082	-	-	113,082
Board	27,633	-	-	27,633
Instructional staff training	3,096	-	-	3,096
School administration	587,429	1,500	-	588,929
Fiscal services	61,650	-	-	61,650
Central services	81,779	-	-	81,779
Student transportation services	7,335	-	-	7,335
Operation of plant	375,816	-	-	375,816
Maintenance of plant	192,919	-	-	192,919
Community Services	-	142,739	-	142,739
Capital Outlay:				
Other capital outlay	49,053	-	-	49,053
Debt Service:				
Redemption of principal	-	-	320,582	320,582
Interest	-	-	309,418	309,418
Total Expenditures	3,871,729	425,084	630,000	4,926,813
Excess (deficit) of revenues over expenditures	422,072	130,290	(283,447)	268,915
Other financing sources (uses)				
Transfers in (out)	(141,767)	(141,680)	283,447	-
Net change in fund balance	280,305	(11,390)	-	268,915
Fund Balance at beginning of year	688,245	28,023	-	716,268
Fund Balance at end of year	\$ 968,550	\$ 16,633	\$ -	\$ 985,183

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

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities

For the year ended June 30, 2023

Net Change in Fund Balance - Governmental Funds \$ 268,915

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 and amortization expense.

Capital outlay expenditures	49,053	
Depreciation and amortization expense	<u>(534,900)</u>	(485,847)

Revenues are recognized using the full accrual basis of accounting in the government-wide statements. However, revenues are recognized when they are measurable and available in the governmental funds. These revenues were not available at year end and therefore not reported in the governmental funds. (79,068)

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.

Repayments	320,582	<u>320,582</u>
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Change in Net Position of Governmental Activities \$ 24,582

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Palm Beach County, Florida. The current charter expires on June 30, 2029 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in West Palm Beach, Florida for students from kindergarten through fifth grade. These financial statements are for the year ended June 30, 2023, when on average 411 students were enrolled for the school year.

Basis of presentation

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, such as student activity fees; (2) operating grants such Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not included with program revenues are reported as general revenues. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Finance Program (FEFP) revenues and other miscellaneous sources.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

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

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

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

Measurement Focus and Basis of Accounting

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

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available.

Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Note 1 – Summary of Significant Accounting Policies (continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Inter-fund Transfers

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

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts. The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund.

The School follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, *Fair Value Measurement and Application*, and other related standards which establish accounting and financial reporting standards for all investments (see Note 2). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

Due from Other Governments or Agencies

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

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as other financing sources in the governmental funds. The right to use assets are initially measure at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease. Estimated useful lives, in years, for capital assets are as follows:

Right-of-use asset (building)	14 Years
Furniture, Equipment, and Computers	5 Years
Software	3 Years
Building Improvement	20 Years

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences

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

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

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

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies.

Note 1 – Summary of Significant Accounting Policies (continued)

For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

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

Net Position and Fund Balance Classifications

Government-wide financial statements

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

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

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

Fund financial statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Prepaid Expenses 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 and Liabilities

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

Income Taxes

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

Use of Estimates

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 29, 2023, which is the date the financial statements were available to be issued.

Note 1 – Summary of Significant Accounting Policies (continued)

New Accounting Standard Adopted

In fiscal year 2023, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The adoption had no material effect on the School's 2023 financial statements.

Pronouncements Issued But Not Yet Effective

GASB has issued GASB Statement No. 101, *Compensating Absences*. This Statement provides guidance on the accounting and financial reporting for certain types of compensated absences including parental leave, military leave, and injury duty leave. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Note 2 – Cash and Investments

Deposits

The School maintains its cash and cash equivalents in two financial institutions. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Somerset Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2023, bank balances in potential excess of FDIC coverage were \$22,310.

Investments

The School follows the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2023, the School had \$670,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2023, maturities of the fund's portfolio holdings are approximately 91% within 30 days.

Note 2 – Cash and Investments (continued)

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2023, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

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

Credit Risk

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

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Note 3 – 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, 2028, and unless terminated by the board shall be renewed for an additional term of five (5) years. During the year ended June 30, 2023, the School incurred \$184,950 in fees related to this agreement.

Recoverable Grant

During the year ended June 30, 2017, the School received a \$110,000 recoverable grant from Academica Dade, LLC. The purpose of this grant is for the School to fund operating expenses. Under the terms, the School would repay Academica Dade, LLC contingent on subsequently meeting certain financial conditions. To date, management has determined that the School has not met the requirements for repayment under the grant terms. The maximum amount the School may be required to pay in the future should the School meet the requirements for repayment is \$110,000.

Somerset Academy Lakes Charter School
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2023

Note 4 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2023:

	<u>Balance 07/01/22</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 06/30/23</u>
Capital Assets:				
Capital assets, depreciable:				
Building improvements	\$ 353,137	\$ 8,200	\$ -	\$ 361,337
Computer equipment	206,367	3,499	(24,579)	185,287
Vehicles	9,628	-	-	9,628
Furniture and equipment	281,087	37,354	(80,722)	237,719
Total Capital Assets	<u>850,219</u>	<u>49,053</u>	<u>(105,301)</u>	<u>793,971</u>
Less Accumulated Depreciation:				
Building improvements	(99,285)	(40,863)	-	(140,148)
Computer equipment	(170,751)	(25,145)	24,579	(171,317)
Vehicles	(1,765)	(1,926)	-	(3,691)
Furniture and equipment	(240,969)	(24,549)	80,722	(184,796)
Total Accumulated Depreciation	<u>(512,770)</u>	<u>(92,483)</u>	<u>105,301</u>	<u>(499,952)</u>
Capital Assets, net	<u>337,449</u>	<u>(43,430)</u>	<u>-</u>	<u>294,019</u>
Right of use lease asset (building)	6,636,284	-	-	6,636,284
Less accumulated amortization	(442,419)	(442,417)	-	(884,836)
Total Lease Assets being amortized, net	<u>6,193,865</u>	<u>(442,417)</u>	<u>-</u>	<u>5,751,448</u>
Governmental Activities Capital Assets, net	<u>\$ 6,531,314</u>	<u>\$ (485,847)</u>	<u>\$ -</u>	<u>\$ 6,045,467</u>

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

	<u>Depreciation</u>	<u>Amortization</u>
Instruction	\$ 42,709	\$ -
School administration	2,135	-
Food services	1,577	-
Maintenance of plant	1,950	-
Operation of plant	44,112	442,417
Total Expenses	<u>\$ 92,483</u>	<u>\$ 442,417</u>

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, 2023, the School paid Somerset Academy, Inc., \$61,650 in connection with these charges.

Recoverable Grant

In prior years, the School received \$540,000 in recoverable grants from Somerset Academy, Inc. During June 30, 2023, the School received additional recoverable grants of \$200,000. The purpose of the grants is for the School to fund operating expenses. Under the terms, the School would repay the corporate account of Somerset Academy, Inc., contingent on subsequently meeting certain financial conditions. The maximum remaining amount the School may be required to pay in the future to Somerset Academy, Inc., should the School meet the requirements for repayment is \$740,000.

The School received long-term, non-interest bearing advances from Somerset Academy, Inc. The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2023:

	Balance 07/01/22	Increases	Decreases	Balance 06/30/23
Somerset Academy Canyons Middle School	\$ 900,000	\$ -	\$ -	\$ 900,000
Total Long Term Debt	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 900,000</u>

Note 6 – Transactions with Other Organizations

For 2023, the School’s facility was shared with Sports Leadership and Management (SLAM) Charter Middle School and SLAM High School Palm Beach (both charter schools under Sports Leadership and Management, Inc.). Through the board of directors, management allocates a proportionate share of salaries, supplies, and other shared expenses to each school individually based on student enrollment or usage of facilities.

Note 7 – Long-Term Liabilities

SLAM Foundation, Inc., entered into a facilities lease agreement (“master lease”) with Summit School Property, LLC (“Sub landlord”) for its 65,000 square feet facility located at 2845 Summit Blvd, West Palm Beach, Florida. The Landlord is also an affiliate of the School's ESSP (See Note 3). Somerset Academy, Inc., also entered into a space sublease agreement with SLAM Foundation, Inc. (sub landlord) for use of the facility noted in the master lease agreement. The leased facilities are shared with Sports Leadership and Management (SLAM) Charter Middle and SLAM High School Palm Beach. Initial fixed annual payments under the master lease agreement were \$1,500,200 and adjusted annually based on the Consumer Price Index (“CPI”) plus additional property costs including repairs, maintenance and insurance. The master lease agreement and the sublease agreement continue through June 30, 2036 with two options to renew for additional five-year terms.

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

The Sub landlord amended the master lease to align the rents due by each School’s pro rata share of total enrollment at the facility.

At the time of initial measurement, the allocation between the School, Sports Leadership and Management (SLAM) Charter Middle School and Sports Leadership and Management (SLAM) Charter High school was 42%, 32% and 26% respectively. At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The School used an average effective interest for several borrowings during FY 2021 and 2022. The average borrowing rate was 5% which was used to discount the annual lease payments to recognize the intangible right to use this asset and the lease liability.

For the year ended June 30, 2023, interest expense totaled \$309,418 as it relates to its lease agreements. For 2023, variable and other payments of \$70,860 in connection with the lease agreement not previously included in the measurement of the lease liability were recorded in rent expense.

Somerset Academy Lakes Charter School
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2023

Note 7 – Long-Term Liabilities (continued)

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

Year	Principal	Interest	Total	
2024	\$ 336,986	\$ 293,014	\$ 630,000	
2025	354,227	275,773	630,000	
2026	372,350	257,650	630,000	
2027	391,400	238,600	630,000	
2028	411,425	218,575	630,000	
2029-2033	2,395,246	754,754	3,150,000	For a five year period
2034-2036	1,751,702	138,298	1,890,000	For a three year period
	<u>\$ 6,013,337</u>	<u>\$ 2,176,663</u>	<u>\$ 8,190,000</u>	

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

	Balance 07/01/22	Increases	Decreases	Balance 06/30/23
Lease liability	\$ 6,333,919	\$ -	\$ (320,582)	\$ 6,013,337
Total Lease liability	\$ 6,333,919	\$ -	\$ (320,582)	\$ 6,013,337

Note 8 –Contingencies and Concentrations

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 has entered into a food services agreement with the School District of Palm Beach County (“Sponsor”) to provide a lunch program for its students. Revenues and expenses related to this program are recorded in the Sponsor’s books and not reflected in the School’s financial statements.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee up to 5% of the qualifying revenues of the School, up to and including 250 students. For the year ended June 30, 2023, administrative fees totaled \$99,961.

Note 9 – Interfund Transfers

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
To fund debt service fund for principal and interest payments	\$ (283,447)	\$ -	\$ 283,447
To transfer federal funds for prior year expenditures	141,680	(141,680)	-
Total Transfers, net	<u>\$ (141,767)</u>	<u>\$ (141,680)</u>	<u>\$ 283,447</u>

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Due to general fund from special revenue fund for federal grants	\$ 186,320	\$ (186,320)	\$ -
Due to general fund from capital projects fund for capital outlay	21,765	-	(21,765)
Total Due from/(Due to)	<u>\$ 208,085</u>	<u>\$ (186,320)</u>	<u>\$ (21,765)</u>

Note 10 – Risk Management

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

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

Note 11 – Defined Contribution Retirement Plan

The School’s personnel, who are leased through ADP Total Source Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed \$70,881 to the Plan for the year ended June 30, 2023. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2023

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 3,710,746	\$ 4,037,202	\$ 4,038,923
Charges and other revenue	198,200	253,784	254,878
Total Revenues	<u>3,908,946</u>	<u>4,290,986</u>	<u>4,293,801</u>
EXPENDITURES			
Current:			
Instruction	2,028,267	2,376,894	2,371,937
Student support services	52,817	115,832	113,082
Instructional Staff Training	3,200	4,729	3,096
Board	28,156	28,923	27,633
School Administration	544,941	588,292	587,429
Fiscal Services	62,625	63,822	61,650
Central Services	85,625	82,399	81,779
Student transportation services	9,000	8,399	7,335
Operation of Plant	390,287	376,729	375,816
Maintenance of Plant	126,858	193,029	192,919
Total Current Expenditures	<u>3,331,776</u>	<u>3,839,048</u>	<u>3,822,676</u>
Excess of Revenues Over Current Expenditures	<u>577,170</u>	<u>451,938</u>	<u>471,125</u>
Capital Outlay	-	50,000	49,053
Total Expenditures	<u>3,331,776</u>	<u>3,889,048</u>	<u>3,871,729</u>
Excess (deficit) of Revenues Over Expenditures	577,170	401,938	422,072
Other financing sources (uses):			
Transfers in (out)	<u>(356,955)</u>	<u>(160,805)</u>	<u>(141,767)</u>
Net change in fund balance	220,215	241,133	280,305
Fund Balance at beginning of year	<u>688,245</u>	<u>688,245</u>	<u>688,245</u>
Fund Balance at end of year	<u>\$ 908,460</u>	<u>\$ 929,378</u>	<u>\$ 968,550</u>

Notes to Budgetary Comparison Schedule

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2023

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 569,853	\$ 418,292	\$ 424,025
Charges and other revenues	175,000	130,922	131,349
Total Revenues	<u>744,853</u>	<u>549,214</u>	<u>555,374</u>
EXPENDITURES			
Current:			
Instruction	567,024	278,293	280,845
School administration	2,829	2,829	1,500
Community Services	175,000	143,789	142,739
Total Current Expenditures	<u>744,853</u>	<u>424,911</u>	<u>425,084</u>
Excess of Revenues Over Current Expenditures	<u>-</u>	<u>124,303</u>	<u>130,290</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>744,853</u>	<u>424,911</u>	<u>425,084</u>
Excess (deficit) of Revenues Over Expenditures	-	124,303	130,290
Other financing sources (uses)			
Transfers in (out)	<u>-</u>	<u>(124,303)</u>	<u>(141,680)</u>
Net change in fund balance	-	-	(11,390)
Fund Balance at beginning of year	<u>28,023</u>	<u>28,023</u>	<u>28,023</u>
Fund Balance at end of year	<u>\$ 28,023</u>	<u>\$ 28,023</u>	<u>\$ 16,633</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 AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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., the financial statements of the governmental activities and each major fund of Somerset Academy Lakes Charter School (the "School"), as of, and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

We issued a separate management letter pursuant to Chapter 10.850, Rules of the Auditor General dated September 29, 2023.

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.

A handwritten signature in blue ink that reads "HLB Gravier, LLP". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2023



MANAGEMENT LETTER

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

Report on the Financial Statements

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

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 29, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

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

There were no findings and recommendation made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of education of the entity is Somerset Academy Lakes Charter School, 4091.

Financial Condition and Management

Sections 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Somerset Academy Lakes Charter School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Somerset Academy Lakes Charter School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we do not have any such recommendations.

Transparency

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, School Board of Palm Beach County, Federal and other granting agencies, the Board of Directors of Somerset Academy, Inc., and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2023