



Somerset Gables Academy  
**WL# 5008**  
(A charter school under Somerset Academy, Inc.)

Coral Gables, Florida

Financial Statements and  
Independent Auditors' Report

June 30, 2023

## TABLE OF CONTENTS

General Information . . . . .	1	
Independent Auditors' Report. . . . .	2-4	
Management's Discussion and Analysis (Required Supplementary Information) . . . . .	5-9	
<b>Basic Financial Statements:</b>		
<i>Government-wide Financial Statements:</i>		
Statement of Net Position. . . . .	10	
Statement of Activities. . . . .	11	
<i>Fund Financial Statements:</i>		
Balance Sheet - Governmental Funds. . . . .	12	
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position... . . . .	13	
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds. . . . .	14	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities. . . . .	15	
Notes to the Basic Financial Statements . . . . .	16-28	
<b>Required Supplementary Information:</b>		
Budgetary comparison schedules . . . . .	29-30	
<b>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 <i>Government Auditing Standards</i> . . . . .</b>		31-32
<b>Management Letter . . . . .</b>	33-34	

Somerset Gables Academy  
W/L# 5008  
624 Anastasia Avenue-Site 1  
Coral Gables, Florida 33134

5859 SW 16 Street-Site 2  
Miami, FL 33155

2022-2023

BOARD OF DIRECTORS

Todd German, Board Chair & Treasurer  
Ana Diaz, Vice-Chair & Secretary  
David Concepcion, Director  
Brian Matthew Cox, Director, (Texas)

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President  
Suzette Ruiz, Vice-President

SCHOOL ADMINISTRATION

Suzette Ruiz, Principal



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Somerset Gables Academy  
Coral Gables, Florida

### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Gables Academy (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 Gables Academy 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 Gables Academy'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 Gables Academy 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 29 to 30 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 15, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 15, 2023

**Management's Discussion and Analysis**  
Somerset Gables Academy  
(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 net position of the School at June 30, 2023 was \$527,563.
2. At year-end, the School had current assets on hand of \$1,616,025.
3. The School had an increase in its net position of \$146,645 for the year ended June 30, 2023.
4. The unassigned fund balance at year end was \$136,409.

**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 is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

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

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

*Fund Financial Statements*

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements. All of the funds of the School are governmental funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

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

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for its 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 - 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, the net position was \$527,563 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:

	2023	2022
Cash	\$ 399,799	\$ 229,458
Investments	270,000	350,800
Prepaid expenses and other assets	138,365	43,396
Due from other agencies	807,861	538,137
Capital and right-of-use capital assets, net	5,177,754	5,466,320
<b>Total Assets</b>	<b>6,793,779</b>	<b>6,628,111</b>
<b>Deferred outflows of resources</b>	-	-
Accounts payable	127,529	94,206
Salaries and wages payable	251,868	219,295
Accrued rent	269,769	269,769
Due to Academica Dade, LLC	23,726	-
Long-term debt due to other divisions of Somerset Academy, Inc.	450,000	350,000
Lease liability	5,143,324	5,313,923
<b>Total Liabilities</b>	<b>6,266,216</b>	<b>6,247,193</b>
<b>Deferred inflows of resources</b>	-	-
<b>Net Position:</b>		
Net investment in capital assets	34,430	152,397
Unrestricted	493,133	228,521
<b>Total Net Position</b>	<b>\$ 527,563</b>	<b>\$ 380,918</b>

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



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

	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>		
Program Revenues:		
Capital grants and contributions	\$ 304,119	\$ 293,583
Operating grants and contributions	847,000	385,948
Charges for services and other revenues	413,002	299,206
General Revenues:		
Local sources (FTE non specific)	4,270,216	3,701,085
Charges for services and other revenues	234,228	10,779
<b>Total Revenues</b>	<u>\$ 6,068,565</u>	<u>\$ 4,690,601</u>
<b>EXPENSES</b>		
Governmental Activities:		
Instruction	\$ 2,856,926	\$ 2,497,293
Student support services	4,835	52,114
Instructional staff training	20,145	17,875
Board	29,521	28,814
School administration	659,085	599,669
Facilities acquisition	6,325	6,325
Fiscal services	71,400	70,875
Food services	203,701	182,330
Central services	109,449	91,396
Operation of plant	1,312,145	942,061
Maintenance of plant	240,763	178,311
Community services	80,587	80,956
Administrative technology services	74,967	59,116
Debt service	252,071	80,550
<b>Total Expenses</b>	<u>5,921,920</u>	<u>4,887,685</u>
(Decrease)/Increase in Net Position	146,645	(197,084)
Net Position at Beginning of Year	380,918	578,002
Net Position at End of Year	<u>\$ 527,563</u>	<u>\$ 380,918</u>

The School's revenues and expenses increased by \$1,377,964 and \$1,034,235, respectively. The School had an increase in its net position of \$146,645 for the year.

### **School Location and Lease of Facility**

The School's leased facilities are located at 624 Anastasia Avenue, Coral Gables, Florida 33134 (Site 1) and 5859 SW 16 Street, Miami, Florida 33155 (Site 2).

### **Capital Improvement Requirements**

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

## **School Enrollment**

This past year, the School had an average of 476 students enrolled in grades kindergarten to fifth, however the charter is approved as a kindergarten through eighth.

## **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 \$274,774. The fund balance unassigned and available for spending at the School's discretion is \$136,409. 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, 2023 amounts to \$195,486 (net of accumulated depreciation) and right of use lease asset (building) \$4,982,268 (net of accumulated amortization). This investment in capital assets includes right of use lease asset (building), furniture, fixtures and computer equipment. As of June 30, 2023, the School had long term liabilities of \$5,143,324 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 Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School’s budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues:			
Capital grants and contributions	\$ 250,000	\$ 302,000	\$ 304,119
Federal sources	623,800	774,038	792,618
Lunch fees	78,300	70,100	70,798
Charges for services and other revenues	71,000	87,000	88,317
General Revenues:			
FTE nonspecific revenues	4,230,149	4,265,311	4,270,216
Charges for services and other revenues	402,528	482,563	488,115
Total Revenues	<u>5,655,777</u>	<u>5,981,012</u>	<u>6,014,183</u>
<b>CURRENT EXPENDITURES</b>			
Governmental Activities:			
Instruction	2,801,430	2,868,655	2,825,849
Student support services	58,210	9,313	4,835
Instructional staff training	18,000	21,000	20,145
Board	32,850	38,008	29,521
School administration	523,313	666,430	658,844
Fiscal services	71,400	71,400	71,400
Food services	192,900	206,026	202,774
Central services	110,100	116,325	109,449
Operation of plant	536,017	588,592	587,060
Maintenance of plant	272,500	268,500	260,635
Administrative technology services	75,000	75,000	70,818
Community services	71,000	92,349	84,736
Total Current Expenditures	<u>\$ 4,762,720</u>	<u>\$ 5,021,598</u>	<u>\$ 4,926,066</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 Gables Academy  
(A charter school under Somerset Academy, Inc.)

Statement of Net Position  
June 30, 2023

	<u>Primary Government Governmental Activities</u>
<b><u>Assets</u></b>	
Current assets:	
Cash	\$ 399,799
Investments	270,000
Prepaid expenses and other assets	138,365
Due from other agencies	<u>807,861</u>
Total Current Assets	1,616,025
Capital assets, net:	
Capital assets, non-depreciable	8,350
Capital assets, depreciable	722,257
Less: accumulated depreciation	(535,121)
Right-of-use lease asset	5,989,147
Less: accumulated amortization	<u>(1,006,879)</u>
Total Capital Assets, net	<u>5,177,754</u>
Total Assets	<u>6,793,779</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>-</u>
<b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable	127,529
Salaries and wages payable	251,868
Accrued rent	269,769
Deferred revenue	23,726
Lease liability, current	<u>630,619</u>
Total Current Liabilities	1,303,511
Long-term debt due to other divisions of Somerset Academy, Inc.	450,000
Lease liability	<u>4,512,705</u>
Total Liabilities	6,266,216
<b><u>Deferred Inflows of Resources</u></b>	<u>-</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	34,430
Unrestricted	<u>493,133</u>
Total Net Position	<u>\$ 527,563</u>

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

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

Statement of Activities  
For the year ended June 30, 2023

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
Instruction	\$2,856,926	\$ 202,818	\$ 545,973	\$ -	\$ (2,108,135)
Student support services	4,835	-	-	-	(4,835)
Instructional staff training	20,145	-	17,643	-	(2,502)
Board	29,521	-	-	-	(29,521)
School administration	659,085	-	123,160	-	(535,925)
Facilities acquisition	6,325	-	-	-	(6,325)
Fiscal services	71,400	-	-	-	(71,400)
Food services	203,701	70,798	81,808	-	(51,095)
Central services	109,449	-	-	-	(109,449)
Operation of plant	1,312,145	40,572	21,648	304,119	(945,806)
Maintenance of plant	240,763	-	-	-	(240,763)
Administrative technology services	74,967	-	56,768	-	(18,199)
Community services	80,587	98,814	-	-	18,227
Debt service	252,071	-	-	-	(252,071)
<b>Total governmental activities</b>	<b>5,921,920</b>	<b>413,002</b>	<b>847,000</b>	<b>304,119</b>	<b>(4,357,799)</b>

General revenues:

FTE and other nonspecific revenues	4,270,216
Interest and other revenue	234,228

Change in net position 146,645

Net position, beginning	380,918
Net position, ending	\$ 527,563

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

Somerset Gables Academy  
(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
<b><u>Assets</u></b>				
Cash	\$ 270,937	\$ 128,862	\$ -	\$ 399,799
Investments	270,000	-	-	270,000
Due from other agencies	-	246,923	21,441	268,364
Due from fund	268,364	-	-	268,364
Prepaid expenses and other assets	138,365	-	-	138,365
Total Assets	947,666	375,785	21,441	1,344,892
<b><u>Deferred Outflows of Resources</u></b>				
	-	-	-	-
<b><u>Liabilities</u></b>				
Accounts payable	127,529	-	-	127,529
Salaries and wages payable	251,868	-	-	251,868
Accrued rent	269,769	-	-	269,769
Deferred revenue	23,726	-	-	23,726
Due to fund	-	246,923	21,441	268,364
Total Liabilities	672,892	246,923	21,441	941,256
<b><u>Deferred Inflows of Resources</u></b>				
	-	-	-	-
<b><u>Fund Balance</u></b>				
Nonspendable, not in spendable form	138,365	-	-	138,365
Assigned	-	128,862	-	128,862
Unassigned	136,409	-	-	136,409
	274,774	128,862	-	403,636
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 947,666	\$ 375,785	\$ 21,441	\$ 1,344,892

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

Somerset Gables Academy  
(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 \$ 403,636

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

Depreciable and non-depreciable capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets, non-depreciable	8,350	
Capital assets, depreciable	722,257	
Less: accumulated depreciation	(535,121)	
Right-of-use lease asset	5,989,147	
Less: accumulated amortization	<u>(1,006,879)</u>	5,177,754

Receivables in governmental activities that are not considered available to pay current liabilities are not current financial resources and therefore are not reported in the governmental funds. 539,497

Long-term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds. (5,593,324)

Total Net Position - Governmental Activities \$ 527,563

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

Somerset Gables 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, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>				
State capital outlay funding	\$ -	\$ -	\$ 304,119	\$ 304,119
State passed through local and other local	4,270,216	-	-	4,270,216
Federal sources	-	792,618	-	792,618
Lunch fees	-	70,798	-	70,798
Charges and other revenue	488,115	88,317	-	576,432
<b>Total Revenues</b>	<b>4,758,331</b>	<b>951,733</b>	<b>304,119</b>	<b>6,014,183</b>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	2,435,776	390,073	-	2,825,849
Student support services	4,835	-	-	4,835
Instructional staff training	2,502	17,643	-	20,145
Board	29,521	-	-	29,521
School administration	535,684	123,160	-	658,844
Fiscal services	71,400	-	-	71,400
Food services	-	202,774	-	202,774
Central services	109,449	-	-	109,449
Operation of plant	587,060	21,648	-	608,708
Maintenance of plant	238,987	-	-	238,987
Administrative technology services	14,050	56,768	-	70,818
Community services	-	84,736	-	84,736
<b>Capital Outlay:</b>				
Right-of-use lease asset	-	-	429,352	429,352
Other capital outlay	25,865	-	-	25,865
<b>Debt Service:</b>				
Redemption of principal	-	-	599,951	599,951
Interest	-	-	252,071	252,071
<b>Total Expenditures</b>	<b>4,055,129</b>	<b>896,802</b>	<b>1,281,374</b>	<b>6,233,305</b>
Excess (deficit) of revenues over expenditures	703,202	54,931	(977,255)	(219,122)
<b>Other financing sources (uses)</b>				
Transfers in (out)	(496,553)	(51,350)	547,903	-
Advances from Somerset Academy, Inc.	100,000	-	-	100,000
Increase in lease liability	-	-	429,352	429,352
<b>Net change in fund balance</b>	<b>306,649</b>	<b>3,581</b>	<b>-</b>	<b>310,230</b>
Fund Balance at beginning of year	(31,875)	125,281	-	93,406
Fund Balance at end of year	\$ 274,774	\$ 128,862	\$ -	\$ 403,636

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



Somerset Gables 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, 2023

---

Net Change in Fund Balance - Governmental Funds \$ 310,230

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	25,865	
Right of use lease asset capital outlay	429,352	
Depreciation and amortization expense	<u>(743,783)</u>	
		(288,566)

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. 54,382

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

Due to other divisions of Somerset Academy, Inc.	(100,000)	
Long-term liabilities issued	(429,352)	
Principal payments on long-term liabilities	<u>599,951</u>	
		<u>70,599</u>

Change in Net Position of Governmental Activities \$ 146,645

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

## **Somerset Gables Academy**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2023

---

### **Note 1 – Summary of Significant Accounting Policies**

#### Reporting Entity

Somerset Gables Academy (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The School's charter is held by Somerset Academy, Inc. , a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc. , which is composed of four 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, 2024 and it can be renewed in accordance with law. A charter can also be terminate before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School has two sites located in Coral Gables and West Miami, Florida for students from kindergarten through eighth grades and is funded by the District.

These financial statements are for the year ended June 30, 2023, when on average 476 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.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of 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.

#### 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.

## Somerset Gables Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2023

---

### Note 1 – Summary of Significant Accounting Policies (continued)

#### Government-wide and Fund Financial Statements

##### *Government-wide Financial Statements*

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants such as 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.

##### *Fund Financial Statements*

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

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

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

*Capital Projects Fund* - is used to account for the resources restricted for the acquisition or construction of specific capital assets and from state and local capital funding that are legally restricted to expenditures for particular purposes.

#### Measurement Focus and Basis of Accounting

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

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

## Somerset Gables Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2023

---

### Note 1 – Summary of Significant Accounting Policies (continued)

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. 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 is 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 3). Money market investments that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

## Somerset Gables Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2023

---

### Note 1 – Summary of Significant Accounting Policies (continued)

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

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:

Buildings and Improvements	20 Years
Right-of-use asset (building)	2 – 9 Years
Furniture, Equipment and Software	5 Years

#### Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period ("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 sick days available to be used in future benefit years.

## **Somerset Gables Academy**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2023

---

### **Note 1 – Summary of Significant Accounting Policies (continued)**

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

#### 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.

#### Revenue Sources

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

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

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

#### Net Position and Fund Balance Classifications

##### *Government-wide financial statements*

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

## Somerset Gables Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2023

---

### Note 1 – Summary of Significant Accounting Policies (continued)

- 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 District's policy to use restricted resources first, until exhausted, before using unrestricted resources.

#### *Fund financial statements*

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned)
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. The assigned balances at year end pertain to the School's Internal Account.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

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

## **Somerset Gables Academy**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2023

---

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### Income Taxes

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

#### 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.

#### 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 School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

#### 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 15, 2023, which is the date the financial statements were available to be issued.



**Somerset Gables Academy**  
(A charter school under Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2023

**Note 2 –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:

	Balance 07/01/22	Additions	Retirements/ Reclassifications	Balance 06/30/23
Capital Assets, non-depreciable				
Construction in progress	\$ -	\$ 8,350	\$ -	8,350
Capital Assets, depreciable				
Buildings and improvements	517,447	6,275	-	523,722
Computer equipment and software	83,995	2,298	(33,801)	52,492
Furniture, equipment and textbooks	201,877	8,942	(64,776)	146,043
Total Capital Assets	<u>\$ 803,319</u>	<u>\$ 25,865</u>	<u>\$ (98,577)</u>	<u>\$ 730,607</u>
Less Accumulated Depreciation:				
Buildings and improvements	\$ (388,711)	\$ (17,202)	\$ 7,028	\$ (398,885)
Computer equipment and software	(71,750)	(7,613)	31,778	(47,585)
Furniture, equipment and textbooks	(121,283)	(27,139)	59,771	(88,651)
Total Accumulated Depreciation	<u>\$ (581,744)</u>	<u>\$ (51,954)</u>	<u>\$ 98,577</u>	<u>\$ (535,121)</u>
Total Capital Assets, being depreciated net	\$ 221,575	\$ (26,089)	\$ -	\$ 195,486
<b>Lease Assets:</b>				
Right of use lease asset (building)	\$ 5,559,795	\$ 429,352	\$ -	\$ 5,989,147
Less accumulated amortization	(315,050)	(691,829)	-	(1,006,879)
Total Lease Assets being amortized, net	<u>\$ 5,244,745</u>	<u>\$ (262,477)</u>	<u>\$ -</u>	<u>\$ 4,982,268</u>

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

	Depreciation	Amortization
Instruction	\$ 31,077	\$ -
School administration	241	-
Facilities acquisition	6,325	-
Food services	927	-
Maintenance of plant	1,776	-
Operation of plant	11,608	691,829
Total Expense	<u>\$ 51,954</u>	<u>\$ 691,829</u>

**Note 3 – Cash and Investments**

Deposits

The School maintains its cash in two financial institutions.

## Somerset Gables Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2023

---

### Note 3 – Cash and Investments (continued)

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 was approximately \$400,000.

#### Investments

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

At June 30, 2023, the School had \$580,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The government 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.

#### 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 and issued by Morgan Stanley.

*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, 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.

## Somerset Gables Academy

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2023

---

### Note 4 –Education Services and Support Provider Agreement

Academica Dade, LLC, a professional 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 with Somerset Academy, Inc. calls for a fee on a per student basis through June 30, 2028, and unless terminated by the board shall have the option to renew for an additional five year term. During the year ended June 30, 2023, the School incurred \$214,200 in fees.

#### Recoverable Grant

In previous years, the School received a recoverable grant from Academica Dade, LLC. Repayment of this grant is contingent on the School subsequently meeting certain financial conditions. The remaining balance the School may be required to pay in the future should the School meet the requirements for repayment is \$50,000.

### Note 5 –Transactions within 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 2023, the School paid \$71,325 to the Corporation for these shared costs.

The School received long term, non-interest bearing advances from Somerset Academy, Inc. with no stated maturity date. The outstanding balance at June 30, 2023 was as follows:

	Balance 07/01/22	Increase	Decrease	Balance 06/30/23
Somerset Academy, Inc.	<u>\$ 350,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 450,000</u>
Total Long Term Payables	<u>\$ 350,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 450,000</u>

#### Recoverable Grant

During 2023, the School received a recoverable grant of \$200,000 from Somerset Academy, Inc. Repayment of this grant is contingent on the School subsequently meeting certain financial conditions. The balance the School may be required to pay in the future should the School meet the requirements for repayment is \$200,000.

**Somerset Gables Academy**  
(A charter school under Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2023

---

**Note 6 –Interfund Transfers**

Interfund transfers in government funds as of June 30, 2023 consists of the followings:

	General Fund	Special Revenue Fund	Capital Projects Fund
To fund debt service in the capital projects fund	\$ (547,903)	\$ -	\$ 547,903
To reimburse general fund for prior year's federal expenditures	51,350	(51,350)	-
Total Transfers, net	<u>\$ (496,553)</u>	<u>\$ (51,350)</u>	<u>\$ 547,903</u>

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

Due to General Fund from Capital Projects Fund for capital outlay	\$ 21,441	\$ -	\$ (21,441)
Due to General Fund from Special Revenue Fund for federal funds	246,923	(246,923)	-
Total Due from/(Due to)	<u>\$ 268,364</u>	<u>\$ (246,923)</u>	<u>\$ (21,441)</u>

**Note 7 – Long-Term Liabilities**

University Baptist Church of Coral Gables, Inc.

The School entered into an educational facilities lease agreement with The University Baptist Church of Coral Gables, Inc. Initial fixed annual payments under this agreement are \$700 per student for 110 students, for a minimum annual base rent of \$77,000, adjusted annually based on the Consumer Price Index (CPI). The agreement was extended through August 16, 2025 with automatic two year renewal periods unless terminated by either party.

Somerset Academy Foundation, Inc. – Related Party

On April 20, 2022, the School entered into a lease and security agreement with Somerset Academy Foundation, Inc. through June 30, 2032, with two options to renew of five additional years each. This agreement calls for rent at a rate of \$1,350 per full time student equivalent with a minimum enrollment of 480 students per year. Annual payments under this agreement shall be adjusted annually commencing on the second lease year based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance, and insurance. Somerset Academy Foundation, Inc. is a not-for-profit supporting organization of Somerset Academy, Inc. under Section 509(a)(3) of the Internal Revenue Code.

Under the agreement, Somerset Academy, Inc. must meet certain requirements and covenants including maintaining a “Fixed Charges Coverage Ratio” of not less than 1.10 to 1.00 and in addition, it grants a valid first lien on pledge revenues, which includes all funds related to the School.

At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The School has used an average effective interest for several borrowings during fiscal year 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 \$252,071 as it relates to its lease agreements. For the year ended June 30, 2023, variable and other payments of approximately \$43,000 in connection with the University Baptist Church lease agreement not previously included in the measurement of the lease liability were recorded in rent expense.

**Somerset Gables Academy**

(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	\$ 630,619	\$ 241,075	\$ 871,694	
2025	663,948	210,557	874,505	
2026	495,746	180,567	676,313	
2027	491,512	156,488	648,000	
2028	516,659	131,341	648,000	
2029-2032	2,344,840	247,160	2,592,000	(Total for a four year period.)
	\$ 5,143,324	\$ 1,167,188	\$ 6,310,512	

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

	Balance 07/01/22	Additions	Deletions	Balance 06/30/23
Lease liability	\$ 5,313,923	\$ 429,352	\$ (599,951)	\$ 5,143,324
	\$ 5,313,923	\$ 429,352	\$ (599,951)	\$ 5,143,324

**Note 8 – Contingencies and Concentrations**

The School receives substantially all of its funding from state through 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 2% of the qualifying revenues of the School. For the year ended June 30, 2023, administrative fees withheld by the School District totaled \$38,457.

## **Somerset Gables Academy**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2023

---

### **Note 9 – Risk Management**

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in any of 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 10 – Defined Contribution Retirement Plan**

The School’s personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School will match 100% of employee contributions up to 4% of the employee’s compensation. The School contributed to the Plan \$88,593 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 Gables Academy  
(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
<b>REVENUES</b>			
State passed through local and other local	\$ 4,230,149	\$ 4,265,311	\$ 4,270,216
Charges and other revenue	402,528	482,563	488,115
Total Revenues	<u>4,632,677</u>	<u>4,747,874</u>	<u>4,758,331</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	2,395,230	2,463,892	2,435,776
Student support services	58,210	9,313	4,835
Instructional staff training	-	3,000	2,502
Board	32,850	38,008	29,521
School administration	523,313	541,430	535,684
Fiscal services	71,400	71,400	71,400
Central services	110,100	116,325	109,449
Operation of plant	536,017	588,592	587,060
Maintenance of plant	247,500	243,500	238,987
Administrative technology services	15,000	15,000	14,050
Total Current Expenditures	<u>3,989,620</u>	<u>4,090,460</u>	<u>4,029,264</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>643,057</u>	<u>657,414</u>	<u>729,067</u>
Capital Outlay			
Other capital outlay	77,500	28,973	25,865
Total Capital Outlay and Debt Service Expenditures	<u>77,500</u>	<u>28,973</u>	<u>25,865</u>
Total Expenditures	<u>4,067,120</u>	<u>4,119,433</u>	<u>4,055,129</u>
Excess (Deficit) of Revenues Over Expenditures	565,557	628,441	703,202
Other financing sources (uses):			
Transfers in (out)	(602,022)	(550,022)	(496,553)
Increase in related party long-term debt	<u>185,000</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balance	148,535	178,419	306,649
Fund Balance at beginning of year	<u>(31,875)</u>	<u>(31,875)</u>	<u>(31,875)</u>
Fund Balance at end of year	<u>\$ 116,660</u>	<u>\$ 146,544</u>	<u>\$ 274,774</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 Gables Academy  
(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
<b>REVENUES</b>			
Federal sources	\$ 623,800	\$ 774,038	\$ 792,618
Lunch fees	78,300	70,100	70,798
Charges and other revenue	71,000	87,000	88,317
Total Revenues	<u>773,100</u>	<u>931,138</u>	<u>951,733</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	406,200	404,763	390,073
Instructional staff training	18,000	18,000	17,643
School administration	-	125,000	123,160
Food services	192,900	206,026	202,774
Operation of plant	25,000	25,000	21,648
Administrative technology services	60,000	60,000	56,768
Community services	71,000	92,349	84,736
Total Current Expenditures	<u>773,100</u>	<u>931,138</u>	<u>896,802</u>
Excess of Revenues			
Over Current Expenditures	<u>-</u>	<u>-</u>	<u>54,931</u>
Debt Service:			
Redemption of Principal	-	-	-
Capital Outlay			
Other Capital Outlay	-	-	-
Total Capital Outlay and Debt Service Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>773,100</u>	<u>931,138</u>	<u>896,802</u>
Excess of Revenues Over Expenditures	-	-	54,931
Other financing sources (uses)			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(51,350)</u>
Net change in fund balance	-	-	3,581
Fund Balance at beginning of year	<u>125,281</u>	<u>125,281</u>	<u>125,281</u>
Fund Balance at end of year	<u>\$ 125,281</u>	<u>\$ 125,281</u>	<u>\$ 128,862</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 Gables Academy  
Coral Gables, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Somerset Gables Academy (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 15, 2023.

### **Report Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 dated September 15, 2023 pursuant to Chapter 10.850, Rules of the Auditor General.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 15, 2023



## MANAGEMENT LETTER

To the Board of Directors of  
Somerset Gables Academy  
Coral Gables, Florida

### **Report on the Financial Statements**

We have audited the financial statements of Somerset Gables Academy, Coral Gables, Florida as of and for the fiscal year ended June 30, 2023 and have issued our report thereon dated September 15, 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 15, 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 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 Gables Academy, 5008.

### **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 Gables 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 Gables Academy did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

396 Alhambra Circle, Suite 900, Coral Gables, FL 33134 • Tel: 305.446.3022 • Fax: 305.446.6319  
[www.hlbgravier.com](http://www.hlbgravier.com)

HLB Gravier, LLP is a member of  International. A world-wide organization of accounting firms and business advisers.

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 Gables Academy. It is management's responsibility to monitor Somerset Gables 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 that we communicate any recommendation 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 us to apply appropriate procedures and communicate the results of our determination as to whether Somerset Gables 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 Gables 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 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 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 15, 2023