



Somerset Academy Avenir

WL# 3362

(A charter school under
Somerset Academy, Inc.)

Palm Beach Gardens, Florida

Financial Statements and
Independent Auditors' Report
June 30, 2026

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Somerset Academy Avenir
(A charter school under Somerset Academy, Inc.)
WL# 3362

12950 Avenir Dr
Palm Beach Gardens, Florida 33412

2025-2026

BOARD OF DIRECTORS

Todd German, Treasurer and Board Chair, (Florida)
Ana Mendez, Vice-Chair and Secretary
David Concepcion, Director
Brian M. Cox, Director (Texas)
Taylor Smith, Director, resigned effective June 16, 2026

SCHOOL ADMINISTRATION

Rebecca Pavich, Principal

OTHER NON-VOTING OFFICERS:

Bernardo Montero, President
Suzette Ruiz, Vice-President



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Somerset Academy Avenir
Palm Beach Gardens, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Avenir (the "School"), a charter school under Somerset Academy, Inc. as of, and for the year ended June 30, 2026, 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 accompanying 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 Avenir as of June 30, 2026, 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 Auditors' 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 Avenir'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.

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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 Avenir 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, 2026, 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.

Emphasis of a Matter – Related Party Transactions

As described in Note 6 to the financial statements, the School relies on significant support from Somerset Academy, Inc. 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 through 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 30, 2026, 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 solely 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 effectiveness of 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 30, 2026

Management's Discussion and Analysis

Somerset Academy Avenir
(A Charter School under Somerset Academy, Inc.)
June 30, 2026

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, 2026.

About the School

Somerset Academy Avenir commenced operations in 2025 as a public charter school located in Palm Beach Gardens, Florida, serving students in kindergarten through fifth grade. The School operates under a charter granted by the School Board of Palm Beach County and is affiliated with the Somerset Academy network of public charter schools.

Overview of the Financial Statements

The financial statements of Somerset Academy Avenir present the financial position and results of operations of the School for the fiscal year ended June 30, 2026, in accordance with generally accepted accounting principles for state and local governments.

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.

The government-wide financial statements report all assets and liabilities of the government, including both financial and nonfinancial assets and both short-term and long-term obligations. Revenues are recognized when they relate to the current reporting period, regardless of when the related cash is received, and expenses are recognized when incurred, regardless of when cash is paid. The government-wide statements also report deferred outflows and deferred inflows of resources that relate to future reporting periods. Accordingly, the government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The governmental fund financial statements focus on current financial resources. They generally report current financial assets and liabilities, such as cash, receivables, and accounts payable, rather than long-term capital assets and long-term liabilities. Revenues are recognized when they are both measurable and available to finance current-period expenditures, while expenditures generally are recognized when the related governmental fund liability is incurred, subject to certain exceptions for long-term obligations. Deferred outflows and deferred inflows reported at the governmental fund level are limited to those applicable to current financial resources. Accordingly, governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

More detail about the measurement focus and basis of accounting can be found in the first note to the financial statements, the Summary of Significant Accounting Policies.

FINANCIAL SUMMARY

A summary and analysis of the School's net position as of June 30, 2026 is as follows:

	2026
Cash	\$ 161,146
Investments	309,000
Due from other agencies	99,203
Capital and right of use assets, net	14,586,231
Total Assets	15,155,580
Deferred outflows of resources	-
Accounts payable and accrued expenses	28,240
Salaries and wages payable	33,982
Compensated absences	39,149
Due to other divisions of Somerset Academy, Inc.	1,100,000
Lease liability	13,877,887
Total Liabilities	15,079,258
Deferred inflows of resources	-
Net Position:	
Net investment in capital assets	708,344
Restricted for capital outlay	22,135
Unrestricted	(654,157)
Total Net Position	\$ 76,322

The 2025-2026 school year represents the School's first year of operations; therefore, comparative analysis with the prior year is not applicable. The School ended its first year of operations with a positive net position of \$76,322.

During the fiscal year, the School reported capital and right-of-use assets, net, of approximately \$14.59 million and a related lease liability of approximately \$13.88 million. The School also received \$1.10 million in advances from Somerset Academy, Inc. to support the establishment and start-up of the School.

The components of net position were as follows: Net investment in capital assets totaled approximately \$708,000, reflecting the relationship between the School's capital and right-of-use assets and related outstanding obligations at year-end. Restricted net position for capital outlay totaled approximately \$22,000. Unrestricted net position reflected a deficit of approximately \$654,000, primarily attributable to the School's current-year operating activities and the allocation of its net position among the applicable components.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2026 is as follows:

	<u>2026</u>
REVENUES	
Program Revenues	
Operating grants and contributions	\$ 1,619,011
Capital grants and contributions	351,193
Charges for services	109,457
General Revenues	
State and Local sources	1,792,233
Other revenues	<u>106,711</u>
Total Revenues	\$ 3,978,605
 EXPENSES	
Instruction	\$ 1,238,284
Student support services	116,026
Instructional staff training service	12,786
School board	6,056
School administration	502,776
Fiscal services	25,650
Food services	75
Central services	58,132
Operation of plant	1,075,221
Maintenance of plant	123,834
Community Services	55,229
Debt Service	<u>688,214</u>
Total Expenses	<u>3,902,283</u>
Change in Net Position	76,322
Net Position at Beginning of Year	<u>-</u>
Net Position at End of Year	<u>\$ 76,322</u>

The 2025-2026 school year represents the School's first year of operations; therefore, comparative analysis with the prior year is not applicable. The School had 162 full-time equivalent students during the school year.

For the fiscal year, the School generated total revenues of approximately \$3.98 million, primarily from operating grants and contributions and state and local sources. Operating grants and contributions totaled approximately \$1.62 million, primarily attributable to CMO grant funding, while state and local sources totaled approximately \$1.79 million, primarily attributable to Florida Education Finance Program (FEFP) and other student enrollment-related funding.

Total expenses were approximately \$3.9 million and were primarily attributable to instruction, school administration, operation of plant, and debt service. Instruction expenses totaled approximately \$1.24 million, school administration expenses were approximately \$503,000, operation of plant expenses were approximately \$1.08 million, and debt service expenses were approximately \$688,000.

The School ended its first year of operations with an increase in net position of \$76,322, resulting in total net position of \$76,322 at June 30, 2026.

Governmental Funds

The School reports three major funds individually in the governmental fund financial statements. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$430,764. The fund balance unassigned and available for spending at the School's discretion is \$430,764. These funds will be available for the School's future ongoing operations.

The special revenue fund reported an ending fund balance of \$54,228 comprised of assigned community services fund. The community services fund reflects the activity in the School's internal funds and accounts for the current year's change in the ending fund balance.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The School's investment in capital assets (including right of use lease assets) as of June 30, 2026 amounts to \$14,586,231 (net of accumulated depreciation and amortization). This investment in capital assets includes building, improvements and furniture, fixtures and equipment. Significant asset additions made during the fiscal year were primarily related to instructional and operational assets including chairs, desks, equipment and laptops, acquired in connection with the School's new facilities. Information on the School's capital assets can be found in Note 4.

The School leases a facility located at 12950 Avenir Dr. Palm Beach Gardens, Florida 33412.

Long-Term Liabilities

As of June 30, 2026, the School had long-term lease liabilities of \$13,877,887 associated to its right of use lease asset (building).

The lease asset is amortized using the straight-line method over the term of the lease and the lease liability amortizes based on the effective interest method resulting in a higher liability and expense during the early years of the lease.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

Currently known facts, decisions or conditions expected to affect the School's financial position include:

- **Enrollment** – Enrollment is projected to be approximately 235 in fiscal year 2027.
- **Changes in funding or legislative appropriations** - The School receives 1.00 mills of ad valorem millage from the School District of Palm Beach County to improve school safety and security, hire additional mental health professionals, fund arts, music,

- physical education and to raise/maintain teacher compensation. The current renewal is set to expire on June 30, 2027.
- During the current fiscal year, the School began receiving the half-penny sales tax revenue from the School District of Palm Beach County. As the funding commenced partway through the fiscal year, the School received approximately four months of revenue during the current year. In fiscal year 2027, the School expects to receive a full year of funding from this revenue source.
 - **Major program changes or new initiatives** – There are no major program changes or new initiatives expected for the next school year.
 - **Planned capital projects or financing activities** - The lease minimum enrollment increases to 330 students in FY27 from 250 students minimum in FY26. The school will continue to receive a portion of Somerset CMO grant funds for continued expansion.

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

Statement of Net Position
June 30, 2026

	Primary Government Governmental Activities
<u>Assets</u>	
Current assets:	
Cash	\$ 161,146
Investments	309,000
Due from other agencies	99,203
Total Current Assets	569,349
Capital assets	1,804,395
Less: accumulated depreciation	(204,353)
Right of use lease assets	13,669,673
Less: accumulated amortization	(683,484)
	14,586,231
Total Assets	15,155,580
<u>Deferred Outflows of Resources</u>	-
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	28,240
Salaries and wages payable	33,982
Compensated absences, current	20,518
Total Current Liabilities	82,740
Compensated absences	18,631
Due to other divisions of Somerset Academy, Inc.	1,100,000
Lease liability	13,877,887
Total Liabilities	15,079,258
<u>Deferred Inflows of Resources</u>	-
<u>Net Position</u>	
Net investment in capital assets	708,344
Restricted for capital outlay	22,135
Unrestricted	(654,157)
Total Net Position	\$ 76,322

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

Statement of Activities
For the year ended June 30, 2026

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:	Expenses				
Governmental activities:					
Instruction	\$1,238,284	\$ -	\$ 1,485,789	\$ -	\$ 247,505
Student support services	116,026	-	-	-	(116,026)
Instructional staff training service	12,786	-	11,146	-	(1,640)
School board	6,056	-	-	-	(6,056)
School administration	502,776	-	121,227	-	(381,549)
Fiscal services	25,650	-	-	-	(25,650)
Food services	75	-	-	-	(75)
Central services	58,132	-	-	-	(58,132)
Operation of plant	1,075,221	-	849	351,193	(723,179)
Maintenance of plant	123,834	-	-	-	(123,834)
Community Services	55,229	109,457	-	-	54,228
Debt Service	688,214	-	-	-	(688,214)
Total governmental activities	3,902,283	109,457	1,619,011	351,193	(1,822,622)
General revenues:					
State and local sources					1,792,233
Investment earnings					6,711
Recoverable grant					100,000
Change in net position					76,322
Net position, beginning					-
Net position, ending					\$ 76,322

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

Balance Sheet - Governmental Funds
June 30, 2026

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 106,918	\$ 54,228	\$ -	\$ 161,146
Investments	286,865	-	22,135	309,000
Due from other agencies	-	50,127	49,076	99,203
Due from fund	99,203	-	-	99,203
Total Assets	492,986	104,355	71,211	668,552
<u>Deferred Outflows of Resources</u>	-	-	-	-
<u>Liabilities</u>				
Accounts payable	28,240	-	-	28,240
Salaries and wages payable	33,982	-	-	33,982
Due to fund	-	50,127	49,076	99,203
Total Liabilities	62,222	50,127	49,076	161,425
<u>Deferred Inflows of Resources</u>	-	-	-	-
<u>Fund balance</u>				
Restricted	-	-	22,135	22,135
Assigned	-	54,228	-	54,228
Unassigned	430,764	-	-	430,764
Total Fund Balance	430,764	54,228	22,135	507,127
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 492,986	\$ 104,355	\$ 71,211	\$ 668,552

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2026

Total Fund Balance - Governmental Funds	\$	507,127
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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, depreciable	1,804,395	
Less: accumulated depreciation	(204,353)	
Right-of-use lease asset	13,669,673	
Less: accumulated amortization	<u>(683,484)</u>	14,586,231

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

Compensated absences	(39,149)	
Lease liability	(13,877,887)	
Due to other divisions of Somerset Academy, Inc., net	<u>(1,100,000)</u>	<u>(15,017,036)</u>

Total Net Position - Governmental Activities	\$	<u>76,322</u>
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Somerset Academy Avenir
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2026

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
State passed through local	\$ 1,468,975	\$ -	\$ -	\$ 1,468,975
State capital outlay funding	-	-	106,647	106,647
Local sources	323,258	-	244,546	567,804
Federal sources	-	1,619,011	-	1,619,011
Charges for services and other revenue	106,711	109,457	-	216,168
Total Revenues	1,898,944	1,728,468	351,193	3,978,605
Expenditures:				
Current				
Instruction	893,448	209,296	-	1,102,744
Student support services	115,721	-	-	115,721
Instructional staff training service	1,640	11,146	-	12,786
School board	6,056	-	-	6,056
School administration	319,112	121,227	-	440,339
Fiscal services	25,650	-	-	25,650
Food services	75	-	-	75
Central services	58,132	-	-	58,132
Operation of plant	345,668	849	-	346,517
Maintenance of plant	123,834	-	-	123,834
Community Services	-	55,229	-	55,229
Capital Outlay:				
Other capital outlay	527,902	1,276,493	-	1,804,395
Right of use assets (building)	-	-	13,669,673	13,669,673
Debt Service:				
Interest	150,942	-	537,272	688,214
Total Expenditures	2,568,180	1,674,240	14,206,945	18,449,365
Excess (deficit) of revenues over expenditures	(669,236)	54,228	(13,855,752)	(14,470,760)
Other financing sources (uses)				
Increase in lease liability	-	-	13,877,887	13,877,887
Net change in advances from Somerset Academy, Inc.	1,100,000	-	-	1,100,000
Net change in fund balance	430,764	54,228	22,135	507,127
Fund Balance at beginning of year	-	-	-	-
Fund Balance at end of year	\$ 430,764	\$ 54,228	\$ 22,135	\$ 507,127

Somerset Academy Avenir
(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, 2026

Net Change in Fund Balance - Governmental Funds	\$ 507,127
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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. In the current period, these amounts are:

Capital outlay expenditures	1,804,395	
Right of use lease asset capital outlay	13,669,673	
Depreciation and amortization expense	<u>(887,837)</u>	14,586,231

Increases 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.

Changes in compensated absences	(39,149)	
Increases in long term liabilities	(15,639,312)	
Decreases in long term liabilities	<u>661,425</u>	<u>(15,017,036)</u>

Change in Net Position of Governmental Activities	<u>\$ 76,322</u>
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Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Avenir (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 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 Palm Beach County, Florida. The current charter agreement expires on June 30, 2030, 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 Palm Beach Gardens, Florida for students from kindergarten through fifth grade. These financial statements are for the year ended June 30, 2026, when on average 162 students were enrolled for the school year. This was the School's first year of operations.

Basis of presentation

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Special Revenue Fund – accounts for specific revenues, such as federal funding and federal lunch program 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 - accounts for state and other local capital funds as authorized by Charter School Capital Outlay, Section 1013.62, Florida Statutes.

Measurement Focus and Basis of Accounting

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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 principal and interest on long-term debt and compensated absences, which are reported as expenditures when due. General capital asset acquisitions are reported as expenditures in governmental funds.

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.

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 Cash Equivalents

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.

Investments

The School has adopted a formal investment policy that permits the investment of surplus funds, subject to Board approval, in cash and cash equivalents, debt instruments, mutual funds, certificates of deposit, government-sponsored investment vehicles, and certain investments that support the Charter School Network's educational mission. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Inter-fund Transfers

Interfund receivables/payables are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School. No allowance for uncollectible accounts is deemed necessary.

Capital Assets

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

The right to use assets are initially measured 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:

Improvements	10 - 15 Years
Right of use assets (building)	20 Years
Furniture, Fixtures and Equipment	5 - 10 Years

Compensated Absences

GASB Statement No. 101, *Compensated Absences*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. GASB Statement No. 101 establishes guidance for measuring a liability that has not been used, generally using an employee's pay rate as of the date of the financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

The School grants a specific number of personal time off. Full time teachers and 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 days for personal time off, however, the employees may only cash out if they have used three days or less 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 days. Non-exempt and office salaried employees are not eligible to “cash out” unused personal time off days.

The compensated absences liability includes an accrual for the cash out days and personal time off for services already rendered.

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. In addition, the School receives a portion of the local operating millage revenues levied by the District (Secure our Future Referendum).

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. In addition, the School may receive a portion of the local capital improvement 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Net Position and Fund Balance Classifications

Government-wide financial statements

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

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation and amortization 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 list below:

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with prepaid expenses.
- 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. The restricted fund balance at year end pertains to unspent capital outlay funds.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balances at year end pertain to the School's Internal Account.

Note 1 – Summary of Significant Accounting Policies (continued)

- 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.

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.

New Accounting Standard Adopted

In fiscal year 2026, the School adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. Statement No. 103 requirements updates reporting requirements and changes to MD&A, unusual/infrequent items, proprietary fund presentation, major component units, budgetary comparison information and statistical information. The adoption of this statement did not have a material impact on the School's financial statements. This statement was applied prospectively.

In fiscal year 2026, the School adopted GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. Statement No. 104 requires certain capital assets to be separately identified within the capital asset footnote. This includes lease assets by major class of underlying asset and other specified categories of capital assets. It also establishes accounting and disclosure requirements for capital assets held for sale. The adoption of this statement did not have a material impact on the School's financial statements. This statement was applied prospectively.

Pronouncements Issued But Not Yet Effective

The GASB issued GASB Statement No. 105, *Subsequent Events*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2026.

Note 1 – Summary of Significant Accounting Policies (continued)

The School is currently evaluating the effect that the implementation of the new standards will have on its financial statements.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2026, which is the date the financial statements were available to be issued.

Note 2 – Cash and Investments

Deposits

The School maintains its cash in two financial institutions. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Somerset Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2026, bank balances in potential excess of FDIC coverage was approximately \$161,000.

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, 2026, the School had \$1,180,000 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, 2026, maturities of the fund's portfolio holdings are approximately 77% within 30 days.

Credit Risk

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

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2026, 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.

Note 2 – Cash and Investments (continued)

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

Note 3 – Due from Other Agencies

The following is due from other agencies as of June 30, 2026:

Funding Source	Governmental Fund	Balance
CMO Replication Grant	Special Revenue Fund	\$ 50,127
Capital Outlay - Sales Surtax	Capital Projects Fund	33,913
Capital Outlay	Capital Projects Fund	15,163
Total Due from Other Agencies, current		<u>\$ 99,203</u>

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, 2026:

	Balance 01/00/00	Additions	Retirements/ Reclassifications	Balance 06/30/26
Capital assets, depreciable:				
Improvements	\$ -	\$ 333,483	\$ -	\$ 333,483
Furniture, fixtures and equipment	-	1,470,912	-	1,470,912
Total Capital Assets	-	1,804,395	-	1,804,395
Less: Accumulated Depreciation				
Improvements	-	(22,905)	-	(22,905)
Furniture, fixtures and equipment	-	(181,448)	-	(181,448)
Total Accumulated Depreciation	-	(204,353)	-	(204,353)
Capital Assets, net	<u>\$ -</u>	<u>\$ 1,600,042</u>	<u>\$ -</u>	<u>\$ 1,600,042</u>
Lease Assets				
Right of use assets (building)	\$ -	\$ 13,669,673	\$ -	\$ 13,669,673
Less: accumulated amortization	-	(683,484)	-	(683,484)
Lease Assets, net	-	12,986,189	-	12,986,189
Governmental Activities Capital Assets, net	<u>\$ -</u>	<u>\$ 14,586,231</u>	<u>\$ -</u>	<u>\$ 14,586,231</u>

Note 4 – Capital Assets (continued)

For the fiscal year ended June 30, 2026, depreciation and amortization expense is allocated in the Statement of Activities by function as follows:

	<u>Depreciation</u>	<u>Amortization</u>
Instruction	\$ 117,151	\$ -
School administration	41,982	-
Operation of plant	45,220	683,484
Total Expense	<u>\$ 204,353</u>	<u>\$ 683,484</u>

Note 5 – 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 will have an option to renew for an additional five year period. During the year ended June 30, 2026, the School incurred \$76,950 in fees related to this agreement.

Note 6 – 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, 2026, the School paid Somerset Academy, Inc., \$24,224 in connection with these charges.

The School received long-term, non-interest bearing advances from the corporate account of Somerset Academy, Inc. The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2026:

	<u>Balance 07/01/25</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/26</u>
Somerset Academy, Inc.	\$ -	\$ 1,761,425	\$(661,425)	\$1,100,000
Total Long Term Debt	<u>\$ -</u>	<u>\$ 1,761,425</u>	<u>\$(661,425)</u>	<u>\$1,100,000</u>

Recoverable Grant

The School received \$100,000 in recoverable grants from Somerset Academy, Inc. The purpose of these grants was for the School to fund operating expenses. Under the terms, the School would repay the corporate account of Somerset Academy, Inc., contingent on subsequently meeting certain financial conditions. To date, management has determined that the School has not met the requirements for full 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 \$100,000.

Note 7 – Contingencies, and Concentrations

The School receives the majority of its funding from the State through the District under the Florida Education Finance Program (FEFP) and various other state and local funding. The FEFP 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 participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, 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 up to 5% of the qualifying revenues of the School, up to and including 250 students. For the year ended June 30, 2026, administrative fees totaled \$88,754.

On November 6, 2018, the voters of Palm Beach County approved a 1.00 mills of ad valorem millage for District Schools to improve school safety and security, hire additional mental health professionals, fund arts, music, physical education and to raise/maintain teacher compensation. Palm Beach County School Districts shares a portion with charter schools. The current renewal is set to expire on June 30, 2027.

On November 5, 2024, the voters of Palm Beach County approved a half-penny sales tax to help purchase, maintain, and repair/refurbish facilities and equipment to create a positive learning environment for Palm Beach County students. Palm Beach County School District shares a portion with charter schools. The referendum is set to expire on December 31, 2035.

For the year ended June 30, 2026, the School's total referendum revenues were approximately \$414,000 or 10% of total revenues.

Sponsoring District

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

Note 8 – Long-Term Liabilities

Effective July 1, 2025, Somerset Academy, Inc. entered into a lease agreement with School Development Avenir LLC for an approximately 42,577-square-foot charter school facility in Palm Beach Gardens, Florida. The lease commenced on July 1, 2025, and continues through June 30, 2045, with two options to renew for five years each.

Note 8 – Long-Term Liabilities (continued)

Rent is based on student enrollment, subject to minimum enrollment levels of 240 students for the year ending June 30, 2026; 330 for 2027; 440 for 2028; and 600 for 2029 and thereafter. The initial annual rate is \$2,000 per student, with subsequent annual adjustments based on the Consumer Price Index. Rent is payable monthly in advance. The School is also responsible for property-related costs, including taxes, insurance, utilities, and maintenance.

At the time of initial measurement, there was no interest rate specified in the original lease agreement. The School has used an average effective interest for several borrowings of Somerset Academy, Inc. 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, 2026, interest expense totaled \$688,214 as it relates to its lease agreements. For 2026, there were no variable lease payments in relation to this lease agreement.

The following schedule provides a summary of changes in the lease liability during the year:

	Balance 01/00/00	Increases	Accretion	Balance 06/30/26
Lease liability	\$ -	\$ 13,669,673	\$ 208,214	\$13,877,887
Total Lease Liability	\$ -	\$ 13,669,673	\$ 208,214	\$13,877,887

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

Year	Principal	Interest	Total
2027	\$ -	\$ 694,682	\$ 694,682
2028	188,656	691,344	880,000
2029	525,744	674,256	1,200,000
2030	552,642	647,358	1,200,000
2031	580,917	619,083	1,200,000
2032-2036	3,381,997	2,618,003	6,000,000 (for a five year period)
2037-2041	4,340,315	1,659,685	6,000,000 (for a five year period)
2042-2045	4,307,616	457,704	4,765,320 (for a four year period)
	<u>\$ 13,877,887</u>	<u>\$ 8,062,115</u>	<u>\$ 21,940,002</u>

Note 9 – Interfund Transfers

Interfund transfers in the governmental funds as of June 30, 2026 consist of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund
Due to General Fund from Special Revenue Fund for Federal Grants	\$ 50,127	\$ (50,127)	\$ -
Due to General Fund from Capital Projects Fund for Capital Outlay	49,076	-	(49,076)
Total Due from/(Due to)	<u>\$ 99,203</u>	<u>\$ (50,127)</u>	<u>\$ (49,076)</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 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 agreement, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

Note 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 \$24,429 to the Plan for the year ended June 30, 2026. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

Note 12 – Compensated Absences

Compensated absences payable consists of leave benefits, paid time off, that employees earned based on services already rendered. Compensated absences are recognized as a liability when the leave accumulates, is attributable to past service, and it is more likely than not that the leave will be used or paid.

Changes in compensated absence liabilities during the year are as follows:

	Balance 1/0/1900	Increases *	Decreases	Balance 6/30/2026	Due within One Year
Compensated absences	\$ -	\$ 39,149	\$ -	\$ 39,149	\$ 20,518
	<u>\$ -</u>	<u>\$ 39,149</u>	<u>\$ -</u>	<u>\$ 39,149</u>	<u>\$ 20,518</u>

* The change in compensated absence balances is presented as a net change.

REQUIRED SUPPLEMENTARY INFORMATION

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund
For the year ended June 30, 2026

	General Fund			Variance	
	Original Budget	Final Budget	Actual	Original to Final	Final to Actual
REVENUES					
State passed through local	\$ 1,572,500	\$ 1,459,242	\$ 1,468,975	\$ 113,258	\$ (9,733)
Local sources (Including Referendum revenue)	351,500	312,972	323,258	38,528	(10,286)
Charges for services and other revenue	100,000	103,497	106,711	(3,497)	(3,214)
Total Revenues	2,024,000	1,875,711	1,898,944	148,289	(23,233)
EXPENDITURES					
Current:					
Instruction	916,331	898,814	893,448	17,517	5,366
Student support services	77,000	120,712	115,721	(43,712)	4,991
Instructional staff training	9,000	8,782	1,640	218	7,142
Board	21,938	11,056	6,056	10,882	5,000
School administration	330,254	324,231	319,112	6,023	5,119
Fiscal services	29,292	25,650	25,650	3,642	-
Food services	75	75	75	-	-
Central services	71,292	59,571	58,132	11,721	1,439
Operation of plant	377,032	349,896	345,668	27,136	4,228
Maintenance of plant	140,400	126,400	123,834	14,000	2,566
Total Current Expenditures	1,972,614	1,925,187	1,889,336	47,427	35,851
Excess (deficit) of Revenues					
Over Current Expenditures	51,386	(49,476)	9,608	100,862	(59,084)
Capital Outlay:					
Other Capital Outlay	1,037,349	535,452	527,902	501,897	7,550
Debt Service:					
Interest expense	151,212	151,212	150,942	-	270
Total Capital Outlay & Debt Service Expenditures	1,188,561	686,664	678,844	501,897	7,820
Total Expenditures	3,161,175	2,611,851	2,568,180	549,324	43,671
Excess (deficit) of Revenues Over Expenditures	(1,137,175)	(736,140)	(669,236)	(401,035)	(66,904)
Other financing sources (uses):					
Advances from Somerset Academy, Inc.	1,350,000	1,100,000	1,100,000	250,000	-
Net change in fund balance	212,825	363,860	430,764	(151,035)	(66,904)
Fund Balance at beginning of year	-	-	-	-	-
Fund Balance at end of year	\$ 212,825	\$ 363,860	\$ 430,764	\$ (151,035)	\$ (66,904)

See accompanying notes to the budgetary comparison schedules.

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Funds
For the year ended June 30, 2026

	Special Revenue Funds			Variance	
	Original Budget	Final Budget	Actual	Original to Final	Final to Actual
REVENUES					
Federal sources	\$ 816,800	\$ 1,617,846	\$ 1,619,011	\$ (801,046)	\$ (1,165)
Charges for services and other revenue	108,500	108,500	109,457	-	(957)
Total Revenues	925,300	1,726,346	1,728,468	(801,046)	(2,122)
EXPENDITURES					
Current:					
Instruction	224,800	209,814	209,296	14,986	518
Instructional staff training service	12,000	11,218	11,146	782	72
School administration	125,000	122,372	121,227	2,628	1,145
Operation of plant	849	849	849	-	-
Community services	60,000	60,000	55,229	-	4,771
Total Current Expenditures	422,649	404,253	397,747	18,396	6,506
Excess (Deficit) of Revenues Over Current Expenditures	502,651	1,322,093	1,330,721	(819,442)	(8,628)
Capital Outlay:					
Other Capital Outlay	502,651	1,284,593	1,276,493	(781,942)	8,100
Total Capital Outlay & Debt Service Expenditures	502,651	1,284,593	1,276,493	(781,942)	8,100
Total Expenditures	925,300	1,688,846	1,674,240	(763,546)	14,606
Excess (Deficit) of Revenues Over Expenditures	-	37,500	54,228	(37,500)	(16,728)
Other financing sources (uses)					
Transfers in (out)	-	-	-	-	-
Net change in fund balance	-	37,500	54,228	(37,500)	(16,728)
Fund Balance at beginning of year	-	-	-	-	-
Fund Balance at end of year	\$ -	\$ 37,500	\$ 54,228	\$ (37,500)	\$ (16,728)

See accompanying notes to the budgetary comparison schedules.

Somerset Academy Avenir

(A charter school under Somerset Academy, Inc.)

Notes to Budgetary Comparison Schedules

June 30, 2026

Note 1 – Budgets and Budgetary Accounting

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. The original budget and any subsequent amendments are approved by the Board of Directors.

Note 2 – Variances

The variances in State Passed Through Local in the General Fund occurred because the final budget was reduced to more closely align resources with actual student enrollment.

The variances in Other Capital Outlay in the General Fund occurred because the final budget was reduced based on timing of capital projects.

The variances in Advances from Somerset Academy, Inc. occurred because the final budget was modified based on board approval at year-end.

The variances in Federal Sources revenue and Other Capital Outlay in the Special Revenue Fund occurred because the final budget was increased since the additional CMO funds were able to be expended and received due to efficiencies in the process.



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 Avenir
Palm Beach Gardens, 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 Academy Avenir (the "School") as of, and for the year ended June 30, 2026, 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 30, 2026.

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 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 School'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 30, 2026.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2026



MANAGEMENT LETTER

To the Board of Directors of
Somerset Academy Avenir
Palm Beach Gardens, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Avenir, Palm Beach Gardens, Florida, as of and for the fiscal year ended June 30, 2026, and have issued our report thereon dated September 30, 2026.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 30, 2026, 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 school code assigned by the Florida Department of education of the entity is Somerset Academy Avenir, 3362.

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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 Avenir 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 Avenir 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 Avenir. It is management's responsibility to monitor Somerset Academy Avenir'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 Avenir 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 Avenir 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 fraud, waste, or abuse, that has occurred, or is likely to have occurred, that has 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 30, 2026