



Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.
and Component Unit
of the School Board of St. Lucie County, Florida)
WL# 0712

Port St. Lucie, Florida

Financial Statements and
Independent Auditors' Report
June 30, 2026

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Somerset College Preparatory Academy
(A Charter School under Somerset Academy, Inc.)
WL# 0712

725 NW California Blvd
Port St. Lucie, Florida 34986

2025-2026

BOARD OF DIRECTORS

Todd German, Board Chair (Florida), Treasurer, and Director
Ana Mendez, Secretary, Vice-Chair and Director
David Concepcion, Director
Brian Mathew Cox, Director (Texas)
Taylor Smith, Director. Resigned effective 6/16/2026.

SCHOOL ADMINISTRATION

Erika Rains, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President
Suzette Ruiz, Vice-President



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset College Preparatory Academy
Port St. Lucie, 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 College Preparatory Academy (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 present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Somerset College Preparatory Academy 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 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 the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 College Preparatory 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, 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.

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 32 through 34 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.



Coral Gables, Florida
September 30, 2026

CERTIFIED PUBLIC ACCOUNTANTS

Management's Discussion and Analysis
Somerset College Preparatory Academy
(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 College Preparatory Academy is a tuition-free public charter school located in Port St. Lucie, Florida, serving students from sixth through twelfth grade. The school is part of the Somerset Academy, Inc. network of public charter schools and shares a campus with Somerset Career Academy.

Overview of the Financial Statements

The financial statements of Somerset College Preparatory Academy 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 focuses and bases of accounting can be found in the first note to the financial statements, the Summary of Significant Accounting Policies.

FINANCIAL SUMMARY

A summary of the School's net position as of June 30, 2026 and 2025 is as follows:

	2026	2025	Variance
Cash	\$ 319,062	\$ 321,443	\$ (2,381)
Investments	6,540,000	5,540,000	1,000,000
Prepaid expenses and other current assets	44,669	216,916	(172,247)
Due from other agencies	203,844	70,013	133,831
Security deposits	8,799	8,799	-
Due from other divisions of Somerset Academy, Inc.	24,441	-	24,441
Capital and right of use assets, net	18,606,211	19,831,294	(1,225,083)
Total Assets	25,747,026	25,988,465	(241,439)
Deferred outflows of resources	-	-	
Accounts payable and accrued liabilities	422,502	331,679	90,823
Compensated balances	328,876	254,099	74,777
Lease liability	20,826,130	21,647,978	(821,848)
Notes payable	57,977	203,352	(145,375)
Total Liabilities	21,635,485	22,437,108	(801,623)
Deferred inflows of resources	-	-	
Net Position:			
Net investment in capital assets	(2,277,896)	(2,020,036)	(257,860)
Unrestricted	6,389,437	5,571,393	818,044
Total Net Position	\$ 4,111,541	\$ 3,551,357	\$ 560,184

The School's financial position improved during the year ended June 30, 2026. Total net position increased by approximately \$560,000, or 16%. See the analysis of the School's summary of revenues and expenses for further detail.

The most significant changes in total assets and liabilities were as follows: Cash and investments increased by approximately \$998,000, primarily reflecting the School's positive operating results during the current year.

Capital and right-of-use assets, net, decreased by approximately \$1.2 million, while the related lease liability decreased by approximately \$822,000, primarily as a result of depreciation and amortization of capital and right-of-use assets and scheduled reductions of the related lease obligations. Information on the School's capital assets can be found in Note 3.

The components of net position changed as follows: Net investment in capital assets decreased by approximately \$258,000. The decrease reflects the relationship between the School's net capital and right-of-use assets and related outstanding obligations at year-end. Unrestricted net position increased by approximately \$818,000, or 15%, primarily attributable to the School's current-year increase in net position.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2026 and 2025 is as follows:

REVENUES	<u>2026</u>	<u>2025</u>	<u>Variance</u>
Program Revenues			
Capital Grants and Contributions	\$ 1,408,288	\$ 1,254,241	\$ 154,047
Operating grants and contributions	338,951	1,607,837	(1,268,886)
Charges for Services and Other Revenues	448,482	412,496	35,986
General Revenues			
State and Local Sources	12,703,100	13,200,167	(497,067)
Other revenues	255,414	248,052	7,362
Total Revenues	<u>\$15,154,235</u>	<u>\$ 16,722,793</u>	<u>\$ (1,568,558)</u>
EXPENSES			
Component Unit Activities:			
Instruction	\$ 6,262,599	\$ 5,521,778	\$ 740,821
Student support services	307,362	274,415	32,947
Instructional staff training	25,235	41,329	(16,094)
Board	80,312	84,514	(4,202)
School administration	1,735,560	1,477,962	257,598
Fiscal services	220,558	226,417	(5,859)
Food services	-	13,436	(13,436)
Central services	228,731	237,890	(9,159)
Student transportation services	922,826	808,520	114,306
Operation of plant	2,929,790	2,838,333	91,457
Maintenance of plant	218,338	128,322	90,016
Administrative technology services	127,108	182,178	(55,070)
Community services	473,581	357,563	116,018
Debt service	1,062,051	1,110,927	(48,876)
Total Expenses	<u>14,594,051</u>	<u>13,303,584</u>	<u>1,290,467</u>
Change in Net Position	560,184	3,419,209	(2,859,025)
Net Position at Beginning of Year	3,551,357	132,148	3,419,209
Net Position at End of Year	<u>\$ 4,111,541</u>	<u>\$ 3,551,357</u>	<u>\$ 560,184</u>

Enrollment decreased between fiscal years, with 1,392 full-time equivalent students during fiscal year 2026 compared with 1,430 students during fiscal year 2025.

Total revenues decreased by approximately 1.6 million, or 9%, from \$16.7 million in fiscal year 2025 to \$15.1 million in fiscal year 2026. The decrease was primarily attributable to decreases in state and local revenues and operating grants and contributions.

Major changes in revenues and expenses included:

Operating grants and contributions decreased by approximately \$1.3 million, primarily due to the expiration of the grant expenditure period for the Education Stabilization Fund – American Rescue Plan – Elementary and Secondary School Emergency Relief (ESSER), which ended in the prior fiscal year on September 30, 2024.

State and local sources decreased by approximately \$497,000, primarily due to the decrease reflects the current-year netting of FEFP funding related to prior-year adjustments.

Instruction increased by approximately \$741,000, primarily due to three instructional positions being pulled out of the classroom for classroom support, spending on instructional technology and investments in a large textbook adoption.

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. There were significant changes in two of the three major funds.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$6,422,047 and The fund balance unassigned and available for spending at the School's discretion is \$6,377,378. These funds will be available for the School's future ongoing operations.

The special revenue fund reported an ending fund balance of \$287,467 comprised community services fund of \$287,467. The community services fund reflects the activity in the School's internal funds.

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 \$18,606,211 (net of accumulated depreciation and amortization). This investment in capital assets includes right of use lease asset (building), improvements, furniture, fixtures, and equipment. Information on the School's capital assets can be found in Note 4.

The School leases a facility located at 725 NW California Boulevard, Port St. Lucie, Florida 34986.

Long-term Liabilities

As of June 30, 2026, the School had approximately \$20,884,107 in long-term lease liabilities associated to its capital assets.

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 1,360 in fiscal year 2027.
- **Changes in funding or legislative appropriations** – In FY27 the LCIR revenue will increase by 25%. St Lucie has a new referendum on the ballot in November 2026, for the next four years. The intent for it is raise teacher salaries, recruit and retain highly qualified teachers, enhance school security, improve mental and other health services, fund essential operations that preserve important school programs.

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 College Preparatory Academy
(A charter school under Somerset Academy, Inc.)

Statement of Net Position
June 30, 2026

<u>Assets</u>	Governmental Activities
Current assets:	
Cash	\$ 319,062
Investments	6,540,000
Prepaid expenses and other current assets	44,669
Due from other agencies	203,844
Due from other divisions of Somerset Academy, Inc.	24,441
Total current assets	7,132,016
Capital assets, net:	
Capital assets, depreciable	2,500,588
Less: accumulated depreciation	(2,014,629)
Right-of-use lease asset	23,782,825
Less: accumulated amortization	(5,662,573)
Total capital assets, net	18,606,211
Security deposit	8,799
Total Assets	25,747,026
<u>Deferred Outflows of Resources</u>	-
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	101,681
Salaries and wages payable	320,821
Compensated absences, current	172,366
Notes payable, current	57,977
Lease liability, current	863,896
Total current liabilities	1,516,741
Lease liability	19,962,234
Compensated absences	156,510
Total Liabilities	21,635,485
<u>Deferred Inflows of Resources</u>	-
<u>Net Position</u>	
Net investment in capital assets	(2,277,896)
Unrestricted	6,389,437
Total Net Position	\$ 4,111,541

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

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Statement of Activities
For the year ended June 30, 2026

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 6,262,599	\$ -	\$ 295,557	\$ -	\$ (5,967,042)
Student support services	307,362	-	40,495	-	(266,867)
Instructional staff training Services	25,235	-	2,899	-	(22,336)
Board	80,312	-	-	-	(80,312)
School administration	1,735,560	-	-	-	(1,735,560)
Fiscal services	220,558	-	-	-	(220,558)
Central services	228,731	-	-	-	(228,731)
Student transportation services	922,826	-	-	-	(922,826)
Operation of plant	2,929,790	-	-	1,408,288	(1,521,502)
Maintenance of plant	218,338	-	-	-	(218,338)
Administrative technology services	127,108	-	-	-	(127,108)
Community services	473,581	448,482	-	-	(25,099)
Debt service	1,062,051	-	-	-	(1,062,051)
Total governmental activities	\$ 14,594,051	\$ 448,482	\$ 338,951	\$ 1,408,288	\$ (12,398,330)
General revenues:					
State and local sources					12,703,100
Investment revenue					231,655
Other revenues					23,759
Change in net position					560,184
Net position, beginning					3,551,357
Net position, ending					\$ 4,111,541

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

Somerset College Preparatory Academy
(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	\$ 31,595	\$ 287,467	\$ -	\$ 319,062
Investments	6,540,000	-	-	6,540,000
Due from other agencies	33,282	91,340	79,222	203,844
Due from fund	170,562	-	-	170,562
Prepaid expenses	44,669	-	-	44,669
Due from other divisions of Somerset Academy, Inc.	24,441	-	-	24,441
Total Assets	<u>6,844,549</u>	<u>378,807</u>	<u>79,222</u>	<u>7,302,578</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>				
Accounts payable	101,681	-	-	101,681
Due to fund	-	91,340	79,222	170,562
Salaries and wages payable	320,821	-	-	320,821
Total Liabilities	<u>422,502</u>	<u>91,340</u>	<u>79,222</u>	<u>593,064</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balance</u>				
Nonspendable, not in spendable form	44,669	-	-	44,669
Assigned	-	287,467	-	287,467
Unassigned	6,377,378	-	-	6,377,378
	<u>6,422,047</u>	<u>287,467</u>	<u>-</u>	<u>6,709,514</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 6,844,549</u>	<u>\$ 378,807</u>	<u>\$ 79,222</u>	<u>\$ 7,302,578</u>

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

Somerset College Preparatory Academy
(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	\$ 6,709,514
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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, depreciable	2,500,588	
Less: accumulated depreciation	(2,014,629)	
Right-of-use lease asset	23,782,825	
Less: accumulated amortization	<u>(5,662,573)</u>	18,606,211

Deposits receivable are considered long-term and are not financial resources and therefore are not reported in the governmental funds.	8,799
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Long term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds.

Lease liabilities	(20,826,130)	
Long term liabilities	(57,977)	
Compensated absences	<u>(328,876)</u>	<u>(21,212,983)</u>

Total Net Position - Governmental Activities	<u>\$ 4,111,541</u>
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The accompanying notes are an integral part of this financial statement.

Somerset College Preparatory 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, 2026

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
State capital outlay funding	\$ -	\$ -	\$ 942,562	\$ 942,562
State passed through local	11,484,593	100,782	-	11,585,375
Local sources	1,218,507	-	465,726	1,684,233
Federal sources	-	238,169	-	238,169
Charges for services and other revenue	255,414	448,482	-	703,896
Total Revenues	12,958,514	787,433	1,408,288	15,154,235
Expenditures:				
Current				
Instruction	5,910,190	194,418	-	6,104,608
Student support services	265,386	40,495	-	305,881
Instructional staff training Services	22,336	2,899	-	25,235
Board	80,312	-	-	80,312
School administration	1,709,230	-	-	1,709,230
Fiscal services	220,558	-	-	220,558
Central services	228,731	-	-	228,731
Student transportation services	922,826	-	-	922,826
Operation of plant	1,710,646	-	-	1,710,646
Maintenance of plant	217,642	-	-	217,642
Administrative technology services	127,108	-	-	127,108
Community services	-	473,581	-	473,581
Capital Outlay:				
Other capital outlay	5,000	100,782	-	105,782
Debt service:				
Principal	145,375	-	821,848	967,223
Interest	475,611	-	586,440	1,062,051
Total Expenditures	12,040,951	812,175	1,408,288	14,261,414
Excess (deficit) of revenues over expenditures	917,563	(24,742)	-	892,821
Other financing sources (uses)				
Transfers in (out)	357	(357)	-	-
Net change in fund balance	917,920	(25,099)	-	892,821
Fund Balance at beginning of year	5,504,127	312,566	-	5,816,693
Fund Balance at end of year	\$ 6,422,047	\$ 287,467	\$ -	\$ 6,709,514

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

Somerset College Preparatory 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, 2026

Net Change in Fund Balance - Governmental Funds	\$ 892,821
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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. This is the amount by which capital outlays exceeded depreciation and amortization expense and disposals.

Capital outlay	105,782	
Depreciation and amortization expense	<u>(1,330,865)</u>	(1,225,083)

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.

Compensated absences	(74,777)	
Principal payments on long-term liabilities	<u>967,223</u>	892,446

Change in Net Position of Governmental Activities	<u>\$ 560,184</u>
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The accompanying notes are an integral part of this financial statement.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of St. Lucie County, Florida. The current charter expires on June 30, 2031 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 Port St. Lucie, Florida serving students from sixth through twelfth grades and is funded by the District. These financial statements are for the year ended June 30, 2026 when on average 1,392 students were enrolled for the school year.

Basis of presentation

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

Deferred Outflows/Inflows of Resources

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

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

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 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: student activity fees; (2) 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 state and local 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 outflow 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 the federal lunch program 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 for state capital outlay funding.

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*.

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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

Inter-fund Transfers

Inter-fund receivables/payables ("due from/to") are short-term balances that represent reimbursement 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 cost a of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the government-wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Estimated useful lives, in years, for capital assets are as follows:

Right-of-use asset (building)	25 Years
Improvements	10-25 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.

The School grants a specific number of personal time off days. 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. 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 State through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources (continued)

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.

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.

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 and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of balances 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 positions - all other balances that do not meet the definition of "restricted" or "net investments 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 listed below:

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with prepaid expenses (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. The assigned balances 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.

Long-Term Debt

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

Note 1 – Summary of Significant Accounting Policies (continued)

Income Taxes

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

Use of Estimates

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

New Accounting Standard Adopted

In fiscal year 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. The School is currently evaluating the effect that 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 and cash equivalents in two financial institutions. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Somerset Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2026, bank balances in potential excess of FDIC coverage totaled \$292,240.

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 \$6,540,000 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.

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 College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2026

Note 3 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2026:

	Balance 07/01/25	Additions	Reclassification/ Retirements	Balance 06/30/26
Capital Assets:				
Improvements	\$ 318,815	\$ 26,932	\$ -	\$ 345,747
Furniture, fixtures and equipment	2,568,732	78,850	(492,741)	2,154,841
Total Capital Assets	2,887,547	105,782	(492,741)	2,500,588
Less Accumulated Depreciation:				
Improvements	(273,325)	(46,777)	-	(320,102)
Furniture, fixtures and equipment	(2,035,695)	(151,573)	492,741	(1,694,527)
Total Accumulated Depreciation	(2,309,020)	(198,350)	492,741	(2,014,629)
Capital Assets, net	\$ 578,527	\$ (92,568)	\$ -	\$ 485,959
Lease Assets:				
Right of use lease asset (building)	\$ 23,782,825	\$ -	\$ -	\$ 23,782,825
Less accumulated amortization:	(4,530,058)	(1,132,515)	-	(5,662,573)
Total Lease Assets being amortized, net	19,252,767	(1,132,515)	-	18,120,252
Governmental Activities Capital Assets, net	\$ 19,831,294	\$ (1,225,083)	\$ -	\$ 18,606,211

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

	Depreciation	Amortization
Instruction	\$ 109,422	\$ -
School administration	1,791	-
Operation of plant	86,441	1,132,515
Maintenance of Plant	696	-
Total Expense	\$ 198,350	\$ 1,132,515

Note 4 – Education Service and Support Provider

Academica Broward, LLC, an education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, financial reporting and virtual education services. The agreement calls for a fee on a per student basis. The agreement is through June 30, 2028, and unless terminated by the board shall have the option to renew for an additional five year term. During the year ended June 30, 2026, the School incurred \$661,674.

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

The School shares its campus and certain expenses with Somerset Career Academy (another schools under Somerset Academy, Inc.). Management allocates a proportionate share leases, utilities, supplies and other operating expenses to each school individually based on student enrollment and usage of expenses. As a result of these allocations there at times, there may be due from or to balances between these schools. As of June 30, 2026, Somerset Career Academy incurred approximately \$125,000 to the School for shared rent and other facility usage expenses.

Somerset Academy, Inc. charges its affiliated schools an assessment for shared corporate costs and accreditation expenses. The School paid Somerset Academy, Inc. \$242,424 in connection with these charges during the year.

Note 6 – Transactions with District

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

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2026, administrative fees withheld by the School District totaled \$101,910.

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2026

Note 7– Long Term Debt

The School obtained several term loans from financial institutions for the acquisition of School Buses and other equipment. The facilities are secured by the buses and equipment, with the terms of the notes payable as follows:

Notes Payable to Financial Institutions	Interest Rate	Maturity Date	Balance as of June 30, 2026
\$230,081 loan to acquire two school buses	7.50%	November 4, 2026	18,336
\$115,090 loan to acquire one school bus	7.50%	September 9, 2026	5,282
\$115,080 loan to acquire one school bus	7.50%	August 5, 2026	3,547
\$268,680 loan to acquire equipment	4.20%	December 22, 2026	30,812
Total			<u>\$ 57,977</u>

The School's debt agreements with financial institutions contain various covenants, restrictions and financial test requirements. In the event an instance of default is not remedied, the maturity can be accelerated and / or the underlying collateral may be repossessed.

The following is a summary of changes in long term debt for the year ended June 30, 2026:

	Balance 07/01/25	Additions	Repayments	Balance 06/30/26
Notes Payable - Equipment Loan	\$ 96,744	\$ -	\$ (65,932)	\$ 30,812
Notes Payable - Bus Loan	106,608	-	(79,443)	27,165
Total Debt	<u>\$ 203,352</u>	<u>\$ -</u>	<u>\$ (145,375)</u>	<u>\$ 57,977</u>

Interest expense for the year ended June 30, 2026 was \$8,039. As of June 30, 2026 the remaining of the loans are all under Notes payable, current in the Statement of Net position.

Note 8 – Lease Liability

The School entered into a lease agreement with PSL School Property, LLC (Landlord) for its 41,518 square feet facilities located at 725 NW California Boulevard in Port St Lucie, Florida. On April 19, 2018, the lease was amended to include an additional 21,558 square feet on the existing site. The Landlord is an affiliate of the School's education services and support provider (See Note 4). The commencement date of the initial lease was July 1, 2017 and the additional 21,558 square feet of rentable space commenced in July 2018. Fixed annual payments under this agreement (based on \$19.00 per square foot) are approximately \$1,198,444. The fixed rent for each successive lease year, commencing as of the beginning of the second lease year will be the fixed rent of the previous year multiplied by the greater of 1 or the change in the Consumer Price Index (CPI).

The agreement continues through June 30, 2037 with an option to extend for two additional periods of five years. Under the agreement the School must meet certain covenants and requirements, including a "Fixed Charge Coverage Ratio" of not less than 1.10 to 1.00 for 2026.

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 as of June 30, 2026.

For the years ended June 30, 2023 and 2022, the Landlord has elected to defer all but 3% of the annual CPI adjustment and may elect to recover the deferred portion in subsequent lease years where the CPI adjustment is less than 3% or when the School receives increases in state funding.

For the year ended June 30, 2026, interest expense totaled \$1,054,003, as it relates to its lease agreements. For 2026, variable and other payments of \$514,881 in connection with the lease agreement not previously included in the measurement of the lease liability were recorded in rent expense.

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2026

Note 8 – Lease Liability (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2027	\$ 863,896	\$ 1,011,955	\$ 1,875,851	
2028	908,094	967,757	1,875,851	
2029	954,554	921,297	1,875,851	
2030	1,003,391	872,460	1,875,851	
2031	1,054,726	821,125	1,875,851	
2032-2036	6,140,435	3,238,820	9,379,255	(Total period of five years period)
2037-2041	7,880,381	1,498,874	9,379,255	(Total period of five years period)
2042	1,826,016	49,832	1,875,848	
	<u>\$ 20,631,493</u>	<u>\$ 9,382,120</u>	<u>\$ 30,013,613</u>	

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

	<u>Balance</u> <u>07/01/25</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>06/30/26</u>
Lease liability	\$ 21,453,341	\$ -	\$ (821,848)	\$ 20,631,493
Deferred CPI adjustment	194,637	-	-	194,637
Total lease liability	<u>\$ 21,647,978</u>	<u>\$ -</u>	<u>\$ (821,848)</u>	<u>\$ 20,826,130</u>

Note 9 – Contingencies and Concentrations

The School receives the majority of its funding from 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 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.

On November 5, 2024, the voters of St. Lucie County approved and renewed, respectively, the Surtax Referendum to raise/maintain teacher compensation and improve school safety and security. The St. Lucie School District shares a portion with charter schools. The current renewal is set to expire on December 31, 2036. For the year ended June 30, 2026, the School's total referendum revenues were approximately \$1,220,000 or 8% of total revenues.

Note 10 – Risk Management

The School has entered into a strategic relationship with ADP TotalSource Group, 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.

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.

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 contribution match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed \$204,989 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 – Interfund Transfers

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

	General Fund	Special Revenue Fund	Capital Projects Fund
To reimburse the special revenue fund for prior year expenses	\$ 357	\$ (357)	\$ -
Total Transfers, net	<u>\$ 357</u>	<u>\$ (357)</u>	<u>\$ -</u>
Due to General Fund from Capital Projects Fund for capital outlay	\$ 79,222	\$ -	\$ (79,222)
Due to General Fund from Special Revenue Fund for Federal Funds	91,340	(91,340)	-
Total Due from/(Due to)	<u>\$ 170,562</u>	<u>\$ (91,340)</u>	<u>\$ (79,222)</u>

Note 13 – 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 7/1/2025	Increases *	Decreases	Balance 6/30/2026	Due within one year
Compensated absences	\$ 254,099	\$ 74,777		\$ 328,876	\$ 172,366
	<u>\$ 254,099</u>	<u>\$ 74,777</u>	<u>\$ -</u>	<u>\$ 328,876</u>	<u>\$ 172,366</u>

* The change in compensated absences is presented as a net change

REQUIRED SUPPLEMENTARY INFORMATION

Somerset College Preparatory Academy
Somerset Academy Inc.
(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	\$ 11,432,352	\$11,458,938	\$ 11,484,593	\$ 26,586	\$ 25,655
Local Sources (Including Referendum Revenue)	1,195,000	1,214,348	1,218,507	19,348	4,159
Other Revenue & Charges for Services	172,551	246,502	255,414	73,951	8,912
Total Revenues	12,799,903	12,919,788	12,958,514	119,885	38,726
EXPENDITURES					
Current:					
Instruction	5,953,190	5,939,652	5,910,190	(13,538)	(29,462)
Student Support Services	284,047	276,158	265,386	(7,889)	(10,772)
Instructional Staff Training	25,000	25,000	22,336	-	(2,664)
Board	87,000	90,125	80,312	3,125	(9,813)
School Administration	1,583,974	1,714,161	1,709,230	130,187	(4,931)
Fiscal Services	221,667	220,558	220,558	(1,109)	-
Central Services	262,667	235,479	228,731	(27,188)	(6,748)
Student Transportation Services	688,026	947,749	922,826	259,723	(24,923)
Operation of Plant	1,733,955	1,718,880	1,710,646	(15,075)	(8,234)
Maintenance of plant	225,000	225,800	217,642	800	(8,158)
Administrative Technology Services	136,368	127,222	127,108	(9,146)	(114)
Total Current Expenditures	11,200,894	11,520,784	11,414,965	319,890	(105,819)
Excess (deficit) of Revenues Over Current Expenditures	1,599,009	1,399,004	1,543,549	(200,005)	144,545
Capital Outlay:					
Other Capital Outlay	-	5,000	5,000	5,000	-
Debt Service:					
Principal Payments	145,375	145,375	145,375	-	-
Interest Expense	475,611	475,611	475,611	-	-
Total Capital Outlay & Debt Service Expenditures	620,986	625,986	625,986	5,000	-
Total Expenditures	11,821,880	12,146,770	12,040,951	324,890	(105,819)
Excess (deficit) of Revenues Over Expenditures	978,023	773,018	917,563	(205,005)	144,545
Other financing sources (uses):					
Transfers in (out)	-	(28,772)	357	(28,772)	29,129
Net change in fund balance	978,023	744,246	917,920	(233,777)	173,674
Fund Balance at beginning of year	5,504,127	5,504,127	5,504,127	-	-
Fund Balance at end of year	\$ 6,482,150	\$ 6,248,373	\$ 6,422,047	\$ (233,777)	\$ 173,674

See accompanying notes to budgetary comparison schedules

Somerset College Preparatory Academy
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
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	\$ 335,933	\$ 338,226	\$ 338,951	\$ 2,293	\$ 725
Charges for Services	550,000	447,759	448,482	(102,241)	723
Total Revenues	885,933	785,985	787,433	(99,948)	1,448
EXPENDITURES					
Current:					
Instruction	287,813	195,163	194,418	(92,650)	(745)
Student Support Services	45,120	40,495	40,495	(4,625)	-
Instructional Staff Training	3,000	2,899	2,899	(101)	-
Community Services	550,000	475,000	473,581	(75,000)	(1,419)
Total Current Expenditures	885,933	713,557	711,393	(172,376)	(2,164)
Excess (Deficit) of Revenues Over Current Expenditures	-	72,428	76,040	72,428	3,612
Capital Outlay					
Other Capital Outlay	-	101,200	100,782	101,200	(418)
Total Capital Outlay	-	101,200	100,782	101,200	(418)
Total Expenditures	885,933	814,757	812,175	(71,176)	(2,582)
Excess (Deficit) of Revenues Over Expenditures	-	(28,772)	(24,742)	(28,772)	4,030
Other financing sources (uses)					
Transfers in (out)	-	28,772	(357)	28,772	(29,129)
Net change in fund balance	-	-	(25,099)	-	(25,099)
Fund Balance at beginning of year	312,566	312,566	312,566	-	-
Fund Balance at end of year	\$ 312,566	\$ 312,566	\$ 287,467	\$ -	\$ (25,099)

See accompanying notes to budgetary comparison schedules

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

Original to Final

- Student Transportation Services - The final budget was increased due to adding bus drivers needed to cover student transportation needs.



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 College Preparatory Academy
Port St. Lucie, 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 College Preparatory Academy (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.

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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 30, 2026 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 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 College Preparatory Academy
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset College Preparatory Academy, Florida, as of and for the 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.

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 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 the school code assigned by the Florida Department of Education of the entity are Somerset College Preparatory Academy, 0712.

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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 College Preparatory 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 College Preparatory Academy did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Somerset College Preparatory Academy. It is management's responsibility to monitor Somerset College Preparatory 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 address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any 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 College Preparatory 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 College Preparatory 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 that we address noncompliance with provisions of contracts or grant agreements, 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have 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 St. Lucie 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 30, 2026