

**MIDLANDS STEM INSTITUTE**  
**(A Component Unit of The Charter Institute at Erskine)**

**WINNSBORO, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT**  
**June 30, 2021**

**(With Independent Auditors' Report Thereon)**

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Annual Financial Report  
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June 30, 2021**

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# MARTIN · SMITH

& COMPANY CPAs

## **INDEPENDENT AUDITORS' REPORT** **ON FINANCIAL STATEMENTS**

Board of Directors  
Midlands STEM Institute  
Winnsboro, South Carolina

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Midlands STEM Institute (“the School”), a component unit of the Charter Institute at Erskine, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School’s financial statements, as listed in the accompanying table of contents.

### **Management’s Responsibility for the Financial Statements**

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

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Midlands STEM Institute at June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the accompanying table of contents, be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is supplementary information required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the financial statements in the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The other supplemental schedules, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of Midlands STEM Institute. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion such information is fairly presented in all material respects in relation to the financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Martin Smith and Company CPAs PA*

Greenville, South Carolina  
October 29, 2021

**MIDLANDS STEM INSTITUTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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This discussion and analysis of Midlands STEM Institute's ("the School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the Notes to the Financial Statements and the financial statements themselves to enhance their understanding of the School's financial performance.

**FINANCIAL HIGHLIGHTS**

**Government-Wide Financial Statements**

In the Statement of Net Position, the assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$656,469 (net position). Of this amount, however, \$170,232 is invested in capital assets. Therefore, the School reported an unrestricted net position of \$486,237.

The School's net position increased by \$497,924 during the current fiscal year.

**Fund Financial Statements**

As of the close of the current fiscal year, the School's Governmental Funds reported a combined ending fund balance of \$625,851, compared to a fund balance of \$401,173 in the previous fiscal year.

The School's total capital assets, net of accumulated depreciation, were \$170,232.

The School borrowed under a note agreement, borrowing \$60,000. It received forgiveness for the \$263,887 note payable borrowed in a previous year under the Paycheck Protection Program ("the PPP") and made its regular monthly payments on its debt.

During the 2021 fiscal year, the School's governmental fund-type revenues were \$2,710,185, as compared to \$2,100,157 in the previous fiscal year.

During the current fiscal year, the School's governmental fund-type expenditures were \$2,545,507.

**Overall**

The 135-day student count increased by 18 from 165 students in the prior year to 183 students in the current year. The 135-day enrollment count is the basis for most of the state funds that the School receives.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis serves as an introduction to the School's Financial Statements. The School's Financial Statements consist of three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

In addition to the Financial Statements, this report contains Required Supplementary Information that will enhance the reader's understanding of the financial condition of the School.

**MIDLANDS STEM INSTITUTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Government-Wide Financial Statements**

The Government-Wide Financial Statements provide a broad overview of the School's overall financial status, in a manner similar to a private-sector enterprise.

The Statement of Net Position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods.

The Government-Wide Financial Statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). However, all activities of the School are governmental activities, which include instruction, supporting services, and debt service.

**Fund Financial Statements**

The remaining financial statements are Fund Financial Statements which focus on individual parts of the School, reporting the School's operations in more detail than the Government-Wide Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the School are Governmental Funds.

Governmental Funds are used to account for essentially the same functions reported as Governmental Activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on near-term uses of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The School maintains three individual Governmental Funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Special Revenue Funds. The Governmental Funds Financial Statements can be found at Exhibits C, D, E, and F of this report.

**MIDLANDS STEM INSTITUTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found following Exhibit F of this report.

**Other Information**

The School adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided in the required supplementary information section for this fund to demonstrate compliance with its budget.

<b>Major Features of Midland STEM Institute's Government-Wide and Fund Financial Statements</b>		
	<b>Government-Wide Statements</b>	<b>Fund Financial Statements</b>
		<i>Government Funds Only</i>
<b>Scope</b>	Entire School unit	The activities of the School that are not proprietary or fiduciary
<b>Required financial statements</b>	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods/services have been received and payment is due during the year or soon after



**MIDLANDS STEM INSTITUTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$656,469 at the close of the most recent fiscal year.

The following table provides a summary of the School's net position for 2021 compared to 2020:

	<b>Net Position</b>	
	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current and other assets	\$ 679,228	\$ 485,195
Capital assets	170,232	154,942
Total assets	<u>849,460</u>	<u>640,137</u>
<b>Liabilities</b>		
Other liabilities	53,377	253,192
Long-term liabilities	139,614	228,400
Total liabilities	<u>192,991</u>	<u>481,592</u>
<b>Net Position</b>		
Net investment in capital assets	170,232	154,942
Unrestricted	<u>486,237</u>	<u>3,603</u>
Total net position	<u>\$ 656,469</u>	<u>\$ 158,545</u>

During the current fiscal year, net position of the School's activities improved by \$497,924. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$3,603 at June 30, 2020 to \$486,237 at June 30, 2021.

**MIDLANDS STEM INSTITUTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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The following table shows the changes in net position for fiscal year 2021 compared to 2020:

**Changes in Net Position**

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 9,131	\$ 14,005
Operating grants	2,651,860	2,075,659
General revenue:		
Other revenue	<u>49,194</u>	<u>10,493</u>
Total revenues	<u>2,710,185</u>	<u>2,100,157</u>
<b>Program Expenses</b>		
Instruction	1,224,396	1,093,041
Support services	1,245,224	1,057,183
Interest and other charges	<u>6,528</u>	<u>99,581</u>
Total expenses	<u>2,476,148</u>	<u>2,249,805</u>
Non-recurring item - contribution from forgiveness of PPP loan	<u>263,887</u>	<u>-</u>
Changes in net position	<u>\$ 497,924</u>	<u>\$ (149,648)</u>

***Governmental Activities:***

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

**Governmental Funds**

For the year ended June 30, 2021, the School's Governmental Funds reported a combined fund balance of \$625,851. The School enjoyed continued strong enrollment. Management continues its focus on increasing enrollment at the School, and to make efficient use of its resources, especially with respect to faculty and staff employed at the School.

The Special Revenue and EIA Fund consists of federal grants in the amount of \$603,088 and state revenue of \$1,153,817 and was used to fund instruction and support service expenditures.

**General Fund Budgetary Highlights**

The School's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**MIDLANDS STEM INSTITUTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2021, the School had \$170,232 invested in capital assets, net of depreciation.

The following table shows fiscal 2021 balances compared to 2020:

**Capital Assets at June 30  
(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Leasehold improvements	\$ 79,008	\$ 38,250
Equipment and furniture	51,878	81,692
Vehicles	11,646	-
Construction in progress	27,700	35,000
Totals	\$ 170,232	\$ 154,942

**Long-term Debt**

At fiscal year-end, the School had \$139,614 in long-term debt versus \$397,570 in the prior year. The School's long-term debt consists of two notes payable from a bank.

As noted earlier, other obligations include accounts payable and other accrued expenses. More detailed information about the School's debt and other long-term liabilities is presented in the Notes to the Financial Statements.

**Economic Factors**

The following key economic indicators reflect the operations of the School:

- The School continues to see community support as evidenced by the volunteerism, local organizations donating classroom and office supplies, private donations, and support through fundraising.
- The School has a returning staff of professionals that are committed to the School.
- The School will continue to seek both federal and private grant funds to supplement its Education Finance Act ("EFA") funding.

**Contacting the School's Financial Management**

This financial report is designed to provide interested parties with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's business office located at 114 State Road, S-20-166, Winnsboro, South Carolina 29180.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Statement of Net Position  
June 30, 2021**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 230,867
Due from other governmental units	402,771
Prepaid items	45,590
Capital assets, net of accumulated depreciation	<u>170,232</u>
Total assets	<u>849,460</u>
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued liabilities	38,964
Due to other governmental units	14,413
Long-term liabilities:	
Due within one year	68,752
Due in more than one year	<u>70,862</u>
Total liabilities	<u>192,991</u>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	170,232
Unrestricted net position	<u>486,237</u>
Total net position	<u>\$ 656,469</u>

The notes to the financial statements are an integral part of this statement.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Statement of Activities  
For Fiscal Year Ended June 30, 2021**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Change in Net Position</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 1,224,396	\$ 9,131	\$ 1,311,282	\$ -	\$ 96,017
Support services	1,245,224	-	1,333,587	-	88,363
Interest and other charges	6,528	-	6,991	-	463
Total governmental activities	<u>2,476,148</u>	<u>9,131</u>	<u>2,651,860</u>	<u>-</u>	<u>184,843</u>
Total	<u>\$ 2,476,148</u>	<u>\$ 9,131</u>	<u>\$ 2,651,860</u>	<u>\$ -0-</u>	<u>184,843</u>
General revenues:					
					408
					21
					48,765
					<u>49,194</u>
					234,037
					<u>263,887</u>
					497,924
					<u>158,545</u>
					<u>\$ 656,469</u>

The notes to the financial statements are an integral part of this statement.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Balance Sheet - Governmental Funds  
June 30, 2021**

	<u>General</u>	<u>Special Revenue</u>	<u>EIA</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 230,867	\$ -	\$ -	\$ 230,867
Due from other governmental units	10,565	392,206	-	402,771
Due from other funds	377,793	-	-	377,793
Prepaid items and other assets	<u>45,590</u>	<u>-</u>	<u>-</u>	<u>45,590</u>
Total assets	<u>\$ 664,815</u>	<u>\$ 392,206</u>	<u>\$ -0-</u>	<u>\$ 1,057,021</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 38,964	\$ -	\$ -	\$ 38,964
Due to other funds	-	377,793	-	377,793
Due to other governmental units	-	14,413	-	14,413
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>38,964</u>	<u>392,206</u>	<u>-0-</u>	<u>431,170</u>
Fund balances:				
Nonspendable	45,590	-	-	45,590
Unassigned	<u>580,261</u>	<u>-</u>	<u>-</u>	<u>580,261</u>
Total fund balances	<u>625,851</u>	<u>-</u>	<u>-0-</u>	<u>625,851</u>
Total liabilities and fund balances	<u>\$ 664,815</u>	<u>\$ 392,206</u>	<u>\$ -0-</u>	<u>\$ 1,057,021</u>

The notes to the financial statements are an integral part of this statement.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2021**

Total fund balances - Governmental Funds	\$	625,851
<p>Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</p>		
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in Governmental Funds. The cost of assets is \$308,425 and the accumulated depreciation is \$138,193.		170,232
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(139,614)</u>
Net position of governmental activities	\$	<u><u>656,469</u></u>

The notes to the financial statements are an integral part of this statement.

**MIDLANDS STEM INSTITUTE**  
**WINNSBORO, SOUTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>General</u>	<u>Special Revenue</u>	<u>EIA</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 58,325	\$ 404	\$ -	\$ 58,729
State sources	894,551	118,504	1,035,313	2,048,368
Federal sources	-	603,088	-	603,088
	<u>952,876</u>	<u>721,996</u>	<u>1,035,313</u>	<u>2,710,185</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	703,020	376,851	108,772	1,188,643
Support services	808,679	363,547	108	1,172,334
Community services	-	-	-	-
Debt service	60,598	-	-	60,598
Capital outlay	123,932	-	-	123,932
	<u>1,696,229</u>	<u>740,398</u>	<u>108,880</u>	<u>2,545,507</u>
Excess (deficiency) of revenues over expenditures	<u>(743,353)</u>	<u>(18,402)</u>	<u>926,433</u>	<u>164,678</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	926,433	18,402	-	944,835
Proceeds from long-term debt	60,000	-	-	60,000
Operating transfers out	(18,402)	-	(926,433)	(944,835)
	<u>968,031</u>	<u>18,402</u>	<u>(926,433)</u>	<u>60,000</u>
Net change in fund balances	<u>224,678</u>	<u>-0-</u>	<u>-0-</u>	<u>224,678</u>
<b>Fund balance, July 1, 2020</b>	<u>401,173</u>	<u>-0-</u>	<u>-0-</u>	<u>401,173</u>
<b>Fund balance, June 30, 2021</b>	<u>\$ 625,851</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 625,851</u>

The notes to the financial statements are an integral part of this statement.



**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2021**

Total net change in fund balance -- Governmental Funds	\$ 224,678
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$59,980) exceeds depreciation (\$44,691) in the period.	15,289
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	(60,000)
Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	54,070
Forgiveness of the PPP loan reduces long-term liabilities in the Statement of Net Position, but is not recorded in the Governmental Funds.	<u>263,887</u>
Change in net position of governmental activities	<u><u>\$ 497,924</u></u>

The notes to the financial statements are an integral part of this statement.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Notes to the Financial Statements  
June 30, 2021**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Midlands STEM Institute (“the School”) is a non-profit organization incorporated in the state of South Carolina and organized under the South Carolina Charter School Act. The School’s charter was approved in 2013 by the South Carolina Public Charter School District Board of Trustees. As of July 1, 2018, the School began operating under the sponsorship of the Charter Institute at Erskine (“the District”). The School serves 183 students in grades K through 8 in Fairfield County, South Carolina.

The accounting policies of the School conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The School is a charter school under legislation enacted on June 18, 1996. A charter school is considered a public school and the School has operated as a part of The Charter Institute at Erskine for the purposes of state law and state constitution. Because the District’s Board of Trustees can significantly influence operations and the District provides substantial financial support, the School’s financial statements are included in those of the District as a discretely presented component unit

**B. Government-Wide and Fund Financial Statements**

The government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities which report information on the School as a whole, except for Fiduciary Funds, if any. Eliminations have been recorded to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between governmental and business-type activities of the School. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges paid by the recipient of goods or services offered by the program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the Governmental Funds. Major individual governmental funds are reported as separate columns in the Fund Financial Statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-Wide Financial Statements are reported using the economic resources measurement focus and the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due. All other revenue items are considered to be measurable and available only when cash is received by the School.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Notes to the Financial Statements  
June 30, 2021**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued**

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The School reports the following major Governmental Funds:

- The 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. All general revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the general fund. This is a budgeted fund, and any fund balance is considered a resource available for use.
- The Special Revenue Fund accounts for specific revenue sources that are legally restricted to expenditures for specified purposes. Money in this fund is expended according to the provisions of general statutes applicable to charter schools.
- The Special Revenue - Education Improvement Act (“EIA”) Fund is used to account for the revenue from the South Carolina Education Improvement Act of 1984 which is legally required by the state to be accounted for as a specific revenue source.

**D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance**

**1) Deposits and Investments**

The School’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The School pools money from its funds to facilitate disbursements and maximize investment income. Investments are reported at fair value.

**2) Prepaid Items**

Payments made to vendors for services benefiting future periods are recorded as prepaid items in both Government-wide and Fund Financial Statements using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**3) Receivables and Payables**

During the course of operations, numerous transactions occur between the School, vendors and revenue sources for goods provided or services rendered. Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. All receivables are considered fully collectible; therefore, no allowance has been made for doubtful accounts. Amounts due to individuals, vendors or other governmental units are recorded as payables at year-end.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Notes to the Financial Statements  
June 30, 2021**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance, Continued**

**4) Short-term Interfund Receivables and Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due from other funds” or “due to other funds”. These amounts are eliminated in the Statement of Net Position.

**5) Capital Assets**

Capital assets include leasehold improvements, equipment and furniture, and vehicles. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Description</b>	<b>Years</b>
Leasehold improvements	10
Equipment and furniture	5 - 7

**6) Compensated Absences**

Vacation is noncumulative and employees are not paid for unused vacation days. Sick pay is nonvesting. Due to these policies and other uncertainties, there is no vested or accumulated vacation or sick pay that is expected to be paid after year end.

**7) Long-term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the Government-Wide Financial Statements. In general, payables and accrued liabilities that will be paid from Governmental Funds are reported on the Governmental Funds Financial Statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Notes and other long-term obligations that will be paid from Governmental Funds are not recognized as a liability in the Fund Financial Statements until due.

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. In the Fund Financial Statements, the face amount of debt issued is reported as other financing sources.

**8) 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Notes to the Financial Statements  
June 30, 2021**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance, Continued**

**9) Fund Balance**

In the Fund Financial Statements, fund balance classifications depict the nature of the net resources reported in the Governmental Funds. Individual governmental funds may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of these classifications. The General Fund also includes unassigned amounts. The School considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used. The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes if any are determined. Then any remaining fund balance amounts for the non-general funds. Committed fund balance amounts are established by the School's Board through motions passed at the School's Board meetings. Assigned fund balance amounts are established by the School's administration. The School has no assigned fund balance amounts.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories or prepaid items, or are legally or contractually required to remain intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, grantors, contributors, or laws and regulations.

Committed fund balances are self-imposed limitations approved by the School's Board, which is the highest level of decision-making authority with the School. Only the Board can add, remove, or change the constraints placed on committed fund balances through motions passed at the School's Board meetings.

Assigned fund balances are resources constrained by the School's intent to be used for specific purposes but are neither restricted nor committed. The Board authorizes the School's administration to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in other classifications. Also, deficits in fund balances of other governmental funds are reported as unassigned.

**10) Net Position**

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net assets component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Notes to the Financial Statements  
June 30, 2021**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance, Continued**

**11) Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles as applicable to governmental units requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, expenditures, or expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets for all governmental funds are adopted on the modified accrual basis for accounting, which is consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end and the School does not employ encumbrance accounting.

Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. The School's policies allow funds to be transferred between functions. However, the total budget cannot be increased beyond that level without approval of the School's Board. The legal level of control is at the fund level. During the year, the School revised the budget. The administration has discretionary authority to make transfers between appropriation accounts but did not make such transfers this year. The budget amounts in the financial statements are as amended by the Board.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The School's cash investment objectives are preservation of capital, liquidity and yield. The School is authorized to invest in securities as allowed by South Carolina statute. Those investments are restricted to:

- 1) Obligations of the United States and agencies thereof;
- 2) General obligations of the State of South Carolina or any of its political units;
- 3) Savings and loan associations to the extent that the same are secured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation ("FDIC");
- 4) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest. Investments, which consist of certificates of deposit, are stated at cost which approximates market. During the year, investments made but not held as of the balance sheet date consisted of certificates of deposit.

**Custodial credit risk** – Custodial credit risk is the risk that the School's deposits will not be returned to it. The School has no formal policy regarding custodial credit risk. The total cash balances are insured by the FDIC up to \$250,000 per bank. As of June 30, 2021, the School had no cash balances which were not covered by the FDIC.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Notes to the Financial Statements  
June 30, 2021**

**III. DETAILED NOTES ON ALL FUNDS, Continued**

**A. Deposits and Investments, Continued**

**Credit risk** - South Carolina state statutes only authorize the School to invest in certain types of investments. The School has no investment policy that would further restrict its choices.

**Interest rate risk** – The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of credit risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of the School’s investment in a single issuer. The School does not have a policy that limits the amount that may be invested in any one issuer.

**B. Due From/Due to Other Funds**

Interfund balances at June 30, 2021, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Governmental Funds:		
General Fund	\$ 377,793	\$ -
Special Projects Fund	<u>-</u>	<u>377,793</u>
Totals	<u>\$ 377,793</u>	<u>\$ 377,793</u>

The interfund receivables and payables are a result of the Special Revenue Funds owing the General Fund for amounts not yet received on behalf of the Special Revenue Funds.

Transfers from and to other funds for the year ended June 30, 2021, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 926,433	\$ 18,402
Special Projects Fund	18,402	-
Education Improvement Act Fund	<u>-</u>	<u>926,433</u>
Totals	<u>\$ 944,835</u>	<u>\$ 944,835</u>

The General Fund received transfers from the EIA Fund to cover salaries and benefits and to supplement operations. The General Fund transferred funds to the Special Projects Fund to support program services.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Notes to the Financial Statements  
June 30, 2021**

**III. DETAILED NOTES ON ALL FUNDS, Continued**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 35,000	\$ 27,700	\$ (35,000)	\$ 27,700
Total capital assets being depreciated	<u>35,000</u>	<u>27,700</u>	<u>(35,000)</u>	<u>27,700</u>
Capital assets being depreciated:				
Leasehold improvements	42,109	53,307	-	95,416
Equipment and furniture	171,334	-	-	171,334
Vehicles	-	13,975	-	13,975
Total capital assets being depreciated	<u>213,443</u>	<u>67,282</u>	<u>-</u>	<u>280,725</u>
Less accumulated depreciation for:				
Leasehold improvements	3,860	12,548	-	16,408
Equipment and furniture	89,642	29,814	-	119,456
Vehicles	-	2,329	-	2,329
Total accumulated depreciation	<u>93,502</u>	<u>44,691</u>	<u>-</u>	<u>138,193</u>
Total capital assets being depreciated, net	<u>119,941</u>	<u>22,591</u>	<u>-</u>	<u>142,532</u>
Governmental activities capital assets, net	<u>\$ 154,941</u>	<u>\$ 50,291</u>	<u>\$ -0-</u>	<u>\$ 170,232</u>

Depreciation expense charged to functions/programs was as follows:

<b>Governmental activities:</b>	
Instruction	\$ 35,753
Supporting services	<u>8,938</u>
Total depreciation expense for governmental activities	<u>\$ 44,691</u>

**D. Long-Term Debt**

In October 2019, the School obtained a loan from a financial institution. The note is due in thirty-six monthly payments of \$4,819, including principal and interest at 5.25% and matures in December 2022. The note has an outstanding balance of \$81,793 at June 30, 2021.

In March 2021, the School obtained a loan from a financial institution. The note is due in forty-eight monthly payments of \$1,384, including principal and interest at 4.95% and matures in April 2025. The note has an outstanding balance of \$57,821 at June 30, 2021.

In April 2020, the School received a \$263,887 note payable from a bank in connection with the PPP. The School expended the funds in such a manner that it met the requirements for full forgiveness of the loan, and the School applied for and received forgiveness of the loan during the fiscal year ended June 30, 2021. See Note IV. D. for further discussion.



**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Notes to the Financial Statements  
June 30, 2021**

**III. DETAILED NOTES ON ALL FUNDS, Continued**

**E. Long-Term Debt, Continued**

Maturities of notes outstanding at June 30, 2021, based upon current financing arrangements, are as follows:

Year Ending June 30	Principal
2022	\$ 68,752
2023	41,824
2024	29,038
<b>Total</b>	<b>\$ 139,614</b>

Changes in long-term debt for the year ended June 30, 2021 were as follows:

Notes payable, beginning of year	\$ 397,570
Borrowings	60,000
Principal payments	(317,956)
Notes payable, end of year	\$ 139,614

Interest expense for the year ended June 30, 2021 was \$6,528.

**IV. OTHER INFORMATION**

**A. Risk Management**

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains a general liability policy and an errors and omissions policy with a commercial carrier. The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year.

**B. Commitments**

The School has an agreement with the Rockton Baptist Church to lease the facility for its campus. The School pays a monthly lease payment, as well as its pro-rata portion of utilities. The scheduled rent for the year ended June 30, 2022, is \$8,000 monthly. The lease is for twelve months through June 2022, with nine consecutive twelve-month option periods available.

**C. Contingencies**

The School participates in a number of federal and state assisted grant programs. These programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the School's management believes such disallowances, if any, would not be significant.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Notes to the Financial Statements  
June 30, 2021**

**IV. OTHER INFORMATION, Continued**

**D. Other Matter**

In December 2019, an outbreak of novel coronavirus (“COVID-19”) originated in China and spread to other countries, including the U.S. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. declared a state of emergency, and limited most aspects of business, education, travel, and personal physical interactions. Beginning in March 2020, the School was forced to move to remote educational offerings and cancel certain other programs. These necessary actions did cause school-related revenue to decrease and additional expenses to be incurred. Management of the School took prompt action to postpone certain initiatives and reduce operating expenses so as to maintain its financial stability.

In response to the pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (“the CARES Act”) which, among other provisions, introduced additional aid to effected organizations through the PPP. This program allowed eligible entities to borrow up to 2.5 times the average monthly eligible payroll costs of the previous year. These funds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower meets certain requirements, all or some portion of the loan may be forgiven.

The School determined its eligibility for the PPP and borrowed \$263,887 under this program in April 2020. It anticipated that it would be able to expend the loan proceeds and maintain employment levels in such a manner that it would meet the requirements for full forgiveness of the loan. During the year ended June 30, 2021, the School met the conditions for full forgiveness of the PPP loan, applied for, and was granted such forgiveness. This forgiveness is included as a non-recurring item – contribution from PPP loan forgiveness of \$263,887 in the Statement of Activities.

Follow-up legislation to the CARES Act provides funding to state schools and other entities for COVID-19 related expenditures. The School determined its eligibility for funding under various programs, applied for, and received additional funding through several programs. This funding did serve to mitigate the financial impact of expenditures the School had made or will be making.

With the substantial improvements in experience with COVID-19 regionally and nationally, the School has resumed normal school operations in the fall of 2021. However, there remains some uncertainty. Future significant impacts could include continued possible adjustments to the School’s operations and calendar and could include disruptions or restrictions on employees’ ability to work. Changes in the operating environment may also increase operating costs. Management of the School is carefully monitoring this situation and has budgeted so as to enable the School to maintain its financial stability.

**E. Subsequent Events**

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 29, 2021, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended June 30, 2021.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
For Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
1000 Revenue from local sources			
1500 Earnings on investments			
1510 Interest on investments	\$ 25	\$ 21	\$ (4)
1700 Pupil activities			
1740 Student fees	9,131	9,131	-
1900 Other revenue from local sources			
1920 Contributions and donations from private sources	408	408	-
1990 Miscellaneous local revenue			
1999 Revenue from other local sources	29,525	48,765	19,240
Total local sources	<u>39,089</u>	<u>58,325</u>	<u>19,236</u>
3000 Revenue from state sources			
3100 Restricted state funding			
3180 Fringe benefits employer contrib (no carryover)	209,508	209,508	-
3186 State aid to classrooms - teacher salary	40,019	40,132	113
3189 Teacher step increase	-	2,481	2,481
3300 State Aid to classrooms - Education Finance Act (EFA)			
3310 Full-time programs			
3311 Kindergarten	29,470	29,470	-
3312 Primary	84,302	84,302	-
3313 Elementary	189,562	189,562	-
3314 High school	61,429	61,429	-
3316 Speech handicapped (part-time)	90,184	90,184	-
3320 Part-time programs			
3323 Learning disabilities	62,711	62,711	-
3324 Hearing handicapped	6,397	6,397	-
3330 Miscellaneous EFA programs			
3331 Autism	12,282	12,282	-
3334 Limited english proficiency	2,489	2,489	-
3351 Academic assistance	34,094	34,094	-
3352 Pupils in poverty	67,606	67,606	-

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
For Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
3392 NBC excess EFA formula	\$ -	\$ 1,904	\$ 1,904
Total state sources	<u>890,053</u>	<u>894,551</u>	<u>4,498</u>
Total revenues all sources	<u>929,142</u>	<u>952,876</u>	<u>23,734</u>
<b>EXPENDITURES</b>			
100 Instruction			
110 General instruction			
113 Elementary programs			
100 Salaries	236,572	231,761	4,811
200 Employee benefits	85,783	84,557	1,226
300 Purchased services	12,524	7,949	4,575
400 Supplies and materials	19,800	16,563	3,237
114 High school programs			
100 Salaries	241,625	230,746	10,879
200 Employee benefits	47,643	47,387	256
300 Purchased services	9,750	7,446	2,304
400 Supplies and materials	2,000	7,781	(5,781)
120 Exceptional programs			
127 Learning disabilities			
100 Salaries	25,845	20,250	5,595
200 Employee benefits	7,549	5,965	1,584
300 Purchased services	40,000	37,593	2,407
170 Summer school programs			
175 Instructional programs beyond regular school day			
100 Salaries	6,000	4,624	1,376
200 Employee benefits	<u>562</u>	<u>398</u>	<u>164</u>
Total instruction	<u>735,653</u>	<u>703,020</u>	<u>32,633</u>

MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
For Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
200 Support services			
210 Pupil services			
212 Guidance services			
100 Salaries	\$ 54,807	\$ 56,652	\$ (1,845)
200 Employee benefits	14,658	11,629	3,029
400 Supplies and materials	1,628	1,444	184
213 Health services			
100 Salaries	14,814	14,900	(86)
200 Employee benefits	1,434	1,140	294
400 Supplies and materials	200	101	99
214 Psychological services			
300 Purchased services	9,500	13,179	(3,679)
220 Instructional staff services			
224 Improvement of instruction inserv and staff training			
300 Purchased services	17,426	17,662	(236)
230 General administrative services			
231 Board of education			
300 Purchased services	19,860	29,860	(10,000)
318 Audit services	8,900	9,850	(950)
600 Other objects	12,581	12,997	(416)
233 School administration			
100 Salaries	207,760	176,868	30,892
200 Employee benefits	43,393	44,847	(1,454)
300 Purchased services	4,683	5,070	(387)
400 Supplies and materials	25,000	11,199	13,801
600 Other objects	265	265	-
250 Finance and operations services			
252 Fiscal services			
300 Purchased services	109,016	93,597	15,419
600 Other objects	1,630	1,956	(326)

MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
For Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
253 Facilities acquisition and construction			
500 Capital outlay			
520 Construction services	\$ 48,822	\$ 106,007	\$ (57,185)
550 Vehicles	13,975	13,975	-
254 Operation and maintenance of plant			
100 Salaries	29,655	139	29,516
200 Employee benefits	7,475	7,137	338
300 Purchased services	168,952	143,704	25,248
470 Energy	12,000	11,128	872
255 Student transportation (state mandated)			
100 Salaries	3,795	3,795	-
200 Employee benefits	564	540	24
300 Purchased services	788	788	-
256 Food services			
400 Supplies and materials	-	3,272	(3,272)
260 Central support services			
263 Information services			
300 Purchased services	15,000	14,362	638
266 Technology and data processing services			
100 Salaries	23,891	17,624	6,267
200 Employee benefits	3,359	3,433	(74)
300 Purchased services	83,159	77,290	5,869
270 Support services - pupil activity			
271 Pupil service activities			
100 Salaries	10,400	8,050	2,350
200 Employee benefits	2,813	1,998	815
500 Capital outlay	15,000	3,950	11,050
600 Other objects	-	268	(268)
660 Pupil activity	11,343	11,935	(592)
Total support services	<u>998,546</u>	<u>932,611</u>	<u>65,935</u>

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
For Fiscal Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
500 Debt services			
610 Redemption of principal	\$ 53,982	\$ 54,070	\$ (88)
620 Interest	6,616	6,528	88
Total debt services	60,598	60,598	-
Total expenditures	1,794,797	1,696,229	98,568
<b>OTHER FINANCING SOURCES (USES)</b>			
5400 Proceeds from long-term notes	-	60,000	60,000
Interfund transfers, from (to) other funds			
5230 Transfer from Special Revenue EIA Fund	926,433	926,433	-
421-710 Transfer to Special Revenue Fund	(20,175)	(18,402)	1,773
Total other financing sources (uses)	906,258	968,031	61,773
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>\$ 40,603</b>	224,678	<b>\$ 184,075</b>
<b>FUND BALANCE, July 1, 2020</b>		401,173	
<b>FUND BALANCE, June 30, 2021</b>		<b>\$ 625,851</b>	

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Special Revenue Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
For Fiscal Year Ended June 30, 2021**

	<u>Title I (201/202)</u>	<u>IDEA (203/204)</u>	<u>Preschool Handicapped (205/206)</u>	<u>CATE (207/208)</u>	<u>Other Designated Restricted State Grants* (900s)</u>	<u>Other Special Revenue Programs* (200s/800s)</u>	<u>Total</u>
<b>REVENUES</b>							
1000 Revenue from local sources							
1600 Food services							
1610 Lunch sales to pupils	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 404	\$ 404
Total local sources	-	-	-	-	-	404	404
3000 Revenue from state sources							
3100 Restricted state funding							
3120 General education							
3127 Student health/fitness-PE teachers	-	-	-	-	1,509	-	1,509
3130 Special programs							
3135 Reading coaches	-	-	-	-	44,961	-	44,961
3136 Student health/fitness - nurses	-	-	-	-	16,227	-	16,227
3187 Teacher supplies (no carryover)	-	-	-	-	2,750	-	2,750
3193 Education license plates	-	-	-	-	23	-	23
3900 Other state revenue							
3995 CRF per pupil funding	-	-	-	-	-	53,034	53,034
Total state sources	-	-	-	-	65,470	53,034	118,504

\* See Schedule 3 for a listing of LEA subfund codes for each program.



**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Special Revenue Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
For Fiscal Year Ended June 30, 2021**

	<u>Title I (201/202)</u>	<u>IDEA (203/204)</u>	<u>Preschool Handicapped (205/206)</u>	<u>CATE (207/208)</u>	<u>Other Designated Restricted State Grants* (900s)</u>	<u>Other Special Revenue Programs* (200s/800s)</u>	<u>Total</u>
4000 Revenue from federal sources							
4300 Elementary and Secondary Educ Act of 1965 (ESEA)							
4310 Title I, Basic State Grant (carryover prov)	\$ 180,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,775
4351 Supporting effective instruction	-	-	-	-	-	7,857	7,857
4500 Programs for children with disabilities							
4510 Individ with Disabilities Educ Act (IDEA)	-	43,713	-	-	-	-	43,713
4900 Other federal sources							
4975 ESSER I (CARES Act)	-	-	-	-	-	47,654	47,654
4977 ESSER II	-	-	-	-	-	173,194	173,194
4990 Other federal revenue							
4999 Revenue from other federal sources	-	-	-	-	-	149,895	149,895
Total federal sources	<u>180,775</u>	<u>43,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,600</u>	<u>603,088</u>
Total revenues all sources	<u>180,775</u>	<u>43,713</u>	<u>-</u>	<u>-</u>	<u>65,470</u>	<u>432,038</u>	<u>721,996</u>

**EXPENDITURES**

100 Instruction							
110 General instruction							
112 Primary programs							
100 Salaries	-	-	-	-	-	4,378	4,378
200 Employee benefits	-	-	-	-	-	524	524

\* See Schedule 3 for a listing of LEA subfund codes for each program.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Special Revenue Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
For Fiscal Year Ended June 30, 2021**

	<u>Title I (201/202)</u>	<u>IDEA (203/204)</u>	<u>Preschool Handicapped (205/206)</u>	<u>CATE (207/208)</u>	<u>Other Designated Restricted State Grants (900s)</u>	<u>Other Special Revenue Programs (200s/800s)</u>	<u>Total</u>
113 Elementary programs							
100 Salaries	\$ 53,558	\$ -	\$ -	\$ -	\$ 46,470	\$ 52,867	\$ 152,895
200 Employee benefits	1,651	-	-	-	-	5,604	7,255
300 Purchased services	-	-	-	-	-	2,950	2,950
400 Supplies and materials	21,392	-	-	-	2,750	287	24,429
500 Capital outlay	-	-	-	-	-	-	-
114 High school programs							
100 Salaries	-	-	-	-	-	17,200	17,200
300 Purchased services	-	-	-	-	-	81,750	81,750
400 Supplies and materials	3,775	-	-	-	-	-	3,775
120 Exceptional programs							
127 Learning disabilities							
100 Salaries	30,828	43,713	-	-	-	900	75,441
200 Employee benefits	3,470	-	-	-	-	-	3,470
180 Adult/continuing education programs							
188 Parenting/family literacy							
400 Supplies and materials	2,784	-	-	-	-	-	2,784
Total instruction	<u>117,458</u>	<u>43,713</u>	<u>-</u>	<u>-</u>	<u>49,220</u>	<u>166,460</u>	<u>376,851</u>
200 Support services							
210 Pupil services							
212 Guidance services							
100 Salaries	-	-	-	-	-	886	886
200 Employee benefits	-	-	-	-	-	164	164
400 Supplies and materials	-	-	-	-	-	75	75

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Special Revenue Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
For Fiscal Year Ended June 30, 2021**

	<u>Title I (201/202)</u>	<u>IDEA (203/204)</u>	<u>Preschool Handicapped (205/206)</u>	<u>CATE (207/208)</u>	<u>Other Designated Restricted State Grants (900s)</u>	<u>Other Special Revenue Programs (200s/800s)</u>	<u>Total</u>
213 Health services							
100 Salaries	\$ -	\$ -	\$ -	\$ -	\$ 14,900	\$ -	\$ 14,900
200 Employee benefits	-	-	-	-	1,327	-	1,327
220 Instructional staff services							
224 Improvement of instruction inserv and staff training							
300 Purchased services	40	-	-	-	-	357	397
230 General administrative services							
233 School administration							
100 Salaries	-	-	-	-	-	39,596	39,596
400 Supplies and materials	6,750	-	-	-	-	2,752	9,502
250 Finance and operations services							
254 Operation and maintenance of plant							
100 Salaries	-	-	-	-	-	29,655	29,655
200 Employee benefits	-	-	-	-	-	92	92
300 Purchased services	-	-	-	-	-	23,400	23,400
256 Food services							
100 Salaries	-	-	-	-	-	59,101	59,101
200 Employee benefits	-	-	-	-	-	7,898	7,898
400 Supplies and materials	-	-	-	-	-	101,702	101,702
266 Technology/data processing services							
100 Salaries	25,000	-	-	-	-	831	25,831
300 Purchased services	31,527	-	-	-	23	17,471	49,021
Total support services	<u>63,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,250</u>	<u>283,980</u>	<u>363,547</u>

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Special Revenue Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
For Fiscal Year Ended June 30, 2021**

	<u>Title I (201/202)</u>	<u>IDEA (203/204)</u>	<u>Preschool Handicapped (205/206)</u>	<u>CATE (207/208)</u>	<u>Other Designated Restricted State Grants (900s)</u>	<u>Other Special Revenue Programs (200s/800s)</u>	<u>Total</u>
Total expenditures	\$ 180,775	\$ 43,713	\$ -	\$ -	\$ 65,470	\$ 450,440	\$ 740,398
<b>OTHER FINANCING SOURCES (USES)</b>							
Interfund transfers, from (to) other funds							
5210 Transfer from General Fund (excludes IC)	-	-	-	-	-	18,402	18,402
Total other financing sources (uses)	-	-	-	-	-	18,402	18,402
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>FUND BALANCE, July 1, 2020</b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>FUND BALANCE, June 30, 2021</b>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Special Revenue Fund  
Schedule of Program Classifications  
For Fiscal Year Ended June 30, 2021**

<b>LEA Subfund Code</b>	<b>Program</b>	<b>Revenue</b>	<b>Revenue Code</b>
<b><u>OTHER RESTRICTED STATE GRANTS</u></b>			
937	Student health/fitness-PE teachers	\$ 1,509	3127
935	Reading coaches	44,961	3135
917	Student health/fitness - nurses	16,227	3136
917	Teacher supplies (no carryover)	2,750	3187
917	Education license plates	23	3193
217	CRF per pupil funding	<u>53,034</u>	3995
		<u>\$ 118,504</u>	
<b><u>OTHER SPECIAL REVENUE PROGRAMS</u></b>			
256	Lunch sales to pupils	\$ 404	1610
267	Supporting effective instruction	7,857	4351
220	ESSER I (CARES Act)	47,654	4975
220	ESSER II	173,194	4977
802	USDA reimbursements	<u>149,895</u>	4999
		<u>\$ 379,004</u>	

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Special Revenue Fund  
Summary Schedule for Designated State Restricted Grants  
For Fiscal Year Ended June 30, 2021**

<u>Subfund</u>	<u>Revenue</u>		<u>Revenues</u>	<u>Expenditures</u>	<u>Special Revenue</u>		<u>Special Revenue Fund Unearned</u>
	<u>Code</u>	<u>Programs</u>			<u>Interfund Transfers In/(Out)</u>	<u>Other Fund Transfers In/(Out)</u>	
937	3127	Student health/fitness-PE teachers	\$ 1,509	\$ 1,509	\$ -	\$ -	\$ -
935	3135	Reading coaches	44,961	44,961	-	-	-
0	0	Student health/fitness - nurses	16,227	16,227	-	-	-
937	3127	Teacher supplies (no carryover)	2,750	2,750	-	-	-
935	3135	Education license plates	23	23	-	-	-
917	3136	CRF per pupil funding	53,034	53,034	-	-	-
			<u>\$ #####</u>	<u>\$ 118,504</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Education Improvement Act  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs  
For Fiscal Year Ended June 30, 2021**

<b>REVENUES</b>	<u>Actual</u>
3000 Revenue from state sources	
3500 Education improvement act	
3519 Grade 10 assessments	\$ 86
3526 Refurbishment of science kits	1,213
3535 Reading coaches	10,483
3538 Students at risk of school failure	23,259
3550 Teacher salary increase (no carryover)	44,745
3555 Teacher salary fringe (no carryover)	10,888
3557 Summer reading program	4,783
3577 Teacher supplies (no carryover provision)	1,650
3583 Charter school payments	926,433
3595 EEDA - supplies and materials	108
3597 Aid to districts	<u>11,665</u>
Total state sources	<u>1,035,313</u>
Total revenues all sources	<u>1,035,313</u>
<b>EXPENDITURES</b>	
100 Instruction	
110 General instruction	
113 Elementary programs	
100 Salaries	72,788
200 Employee benefits	21,371
400 Supplies and materials	2,863
114 High school programs	
400 Supplies and materials	85
120 Exceptional programs	
127 Learning disabilities	
300 Purchased services	<u>11,665</u>
Total instruction	<u>108,772</u>

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Education Improvement Act  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs  
For Fiscal Year Ended June 30, 2021**

	<b>Actual</b>
200 Support services	
210 Pupil services	
212 Guidance services	
400 Supplies and materials	\$ <u>108</u>
Total support services	<u>108</u>
Total expenditures	<u>108,880</u>
 <b>OTHER FINANCING SOURCES (USES)</b>	
Interfund transfers, from (to) other funds	
420-710 Transfer to General Fund (excludes indirect costs)	<u>(926,433)</u>
Total other financing sources (uses)	<u>(926,433)</u>
 <b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	
	-0-
<b>FUND BALANCE, July 1, 2020</b>	<u>-0-</u>
<b>FUND BALANCE, June 30, 2021</b>	<u><u>\$ -0-</u></u>



**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Education Improvement Act  
Summary Schedule by Program  
For Fiscal Year Ended June 30, 2021**

<u>PROGRAM</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>EIA Interfund</u>		<u>Other Fund</u>	<u>EIA Fund</u>
			<u>Transfers</u>	<u>Transfers</u>		
			<u>In(Out)</u>	<u>In(Out)</u>		<u>Unearned</u>
3500 Education Improvement Act						
3519 Grade 10 assessments	\$ 86	\$ 86	\$ -	\$ -	\$ -	-
3526 Refurbishment of science kits	1,213	1,213	-	-	-	-
3535 Reading coaches	10,483	10,483	-	-	-	-
3538 Students at risk of school failure	23,259	23,259	-	-	-	-
3550 Teacher salary increase (no carryover)	44,745	44,745	-	-	-	-
3555 Teacher salary fringe (no carryover)	10,888	10,888	-	-	-	-
3557 Summer reading program	4,783	4,783	-	-	-	-
3577 Teacher supplies (no carryover provision)	1,650	1,650	-	-	-	-
3583 Charter school payments	926,433	-	-	(926,433)	-	-
3595 EEDA - supplies and materials	108	108	-	-	-	-
3597 Aid to districts	11,665	11,665	-	-	-	-
<b>TOTALS</b>	<b>\$ 1,035,313</b>	<b>\$ 108,880</b>	<b>\$ -0-</b>	<b>\$ (926,433)</b>	<b>\$ -0-</b>	

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA**  
Schedule of Due to State Department of Education/Federal Government  
June 30, 2021

<u>Program</u>	<u>Project Number</u>	<u>Revenue &amp; Subfund Codes</u>	<u>Description</u>	<u>Amount Due to SCDE or Federal Government</u>	<u>Status of Amount Due to Grantors</u>
Extended School Year	N/A	4310-212	Unexpended allocation	\$ 1,824.82	Not Paid as of 10/29/2021
Student Health & Fitness - Nurses	N/A	3136/936	Unexpended allocation	\$ <u>12,587.68</u>	Not Paid as of 10/29/2021
				\$ <u><u>14,412.50</u></u>	

MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Schedule of Findings and Responses  
For Fiscal Year Ended June 30, 2021

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Section I - Summary of Auditors' Results

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***Financial Statements***

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

- Material weakness (es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency (ies) identified? \_\_\_\_\_ Yes      X   No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

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Section II - Financial Statement Findings

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None.

**MIDLANDS STEM INSTITUTE  
WINNSBORO, SOUTH CAROLINA  
Schedule of Prior Year Findings  
For Fiscal Year Ended June 30, 2021**

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**Section I - Financial Statement Findings**

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None.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Midlands STEM Institute  
Winnsboro, South Carolina

We have audited the financial statements of Midlands STEM Institute (“the School”) as of and for the year ended June 30, 2021, and have issued our report thereon dated October 29, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance and Other Matters**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Midlands STEM Institute’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

A deficiency in control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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.

*Martin Smith and Company CPAs PA*

Greenville, South Carolina  
October 29, 2021