

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

WINNSBORO, SOUTH CAROLINA

ANNUAL FINANCIAL REPORT
June 30, 2023

(With Independent Auditors' Report Thereon)

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Annual Financial Report
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June 30, 2023**

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MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Directors
Midlands STEM Institute
Winnsboro, South Carolina

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the School’s financial statements, as listed in the accompanying table of contents.

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

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Midlands STEM Institute 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 opinion.

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.

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 auditors' report that includes our opinion. 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 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.

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, 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, 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.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The other supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is 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 August 31, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is solely 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 in considering the School's internal control over financial reporting and compliance.

Martin Smith and Company CPAs PA

**MIDLANDS STEM INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023. 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 \$627,515 (net position). Of this amount, however, \$134,253 is invested in capital assets. Therefore, the School reported an unrestricted net position of \$493,262.

The School's net position decreased by \$149,288 during the current fiscal year, as compared to an increase of \$120,334 in the previous 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 \$493,261, compared to a fund balance of \$624,384 in the previous fiscal year.

The School's total capital assets, net of accumulated depreciation, were \$170,302.

The School made its regular monthly payments on its debt.

During the 2023 fiscal year, the School's governmental fund-type revenues were \$2,902,089, as compared to \$2,805,574 in the previous fiscal year.

During the current fiscal year, the School's governmental fund-type expenditures were \$3,033,209, including \$3,264 in capital expenditures.

Overall

The 135-day student count increased by 14 from 182 students in the prior year to 196 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, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

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, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

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.

Major Features of Midland STEM Institute's Government-Wide and Fund Financial Statements		
	Government-Wide Statements	Fund Financial Statements
		<i>Government Funds Only</i>
Scope	Entire School unit	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	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
Type of inflow/outflow information	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, 2023**

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 \$627,515 at the close of the most recent fiscal year.

The following table provides a summary of the School's net position for 2023 compared to 2022:

	Net Position	
	Governmental Activities	
	2023	2022
Assets		
Current and other assets	\$ 522,412	\$ 649,505
Capital assets	170,302	220,803
Total assets	<u>692,714</u>	<u>870,308</u>
Liabilities		
Other liabilities	29,150	25,121
Long-term liabilities	<u>36,049</u>	<u>68,384</u>
Total liabilities	<u>65,199</u>	<u>93,505</u>
Net Position		
Net investment in capital assets	134,253	152,419
Unrestricted	<u>493,262</u>	<u>624,384</u>
Total net position	<u>\$ 627,515</u>	<u>\$ 776,803</u>

During the current fiscal year, net position of the School's activities decreased by \$149,288. 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 \$624,384 at June 30, 2022, to \$493,262 at June 30, 2023.

**MIDLANDS STEM INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The following table shows the changes in net position for fiscal year 2023 compared to 2022:

Changes in Net Position

	Governmental Activities	
	2023	2022
Revenues		
Program revenues:		
Operating grants	\$ 2,867,951	\$ 2,737,752
Charges for services	19,414	35,145
General revenue:		
Miscellaneous revenue	14,722	32,677
Total revenues	2,902,087	2,805,574
Program Expenses		
Instruction	1,485,011	1,304,176
Support services	1,560,849	1,371,484
Interest	5,515	9,580
Total expenses	3,051,375	2,685,240
Increase in net position	\$ (149,288)	\$ 120,334

Governmental Activities:

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

For the year ended June 30, 2023, the School's Governmental Funds reported a combined fund balance of \$493,261, a decrease of \$131,123. The School enjoyed strong enrollment. Management continues its focus on increasing enrollment at the School and making efficient use of its resources, especially with respect to faculty and staff employed at the School.

The Special Revenue and EIA Fund consist of federal grants in the amount of \$499,714, and state revenue of \$453,875 and was used to fund instruction and support service expenditures. All revenues in these funds were expended in the current year, and these funds had no ending fund balance.

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, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the School had \$170,302 invested in capital assets, net of depreciation.

The following table shows fiscal 2023 balances compared to 2022:

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

	Governmental Activities	
	2023	2022
Leasehold improvements	\$ 151,043	\$ 183,520
Equipment and furniture	13,203	28,432
Vehicles	6,056	8,851
Totals	\$ 170,302	\$ 220,803

Long-term Debt

At fiscal year-end, the School had \$36,049 in long-term debt versus \$68,384 in the prior year. The School's long-term debt consists of a note 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, 2023**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 365,337
Due from other governmental units	127,050
Prepaid items	30,025
Capital assets, net of accumulated depreciation	<u>170,302</u>
Total assets	<u>692,714</u>
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	9,252
Unearned income	19,898
Long-term liabilities:	
Due within one year	22,518
Due in more than one year	<u>13,531</u>
Total liabilities	<u>65,199</u>
<u>NET POSITION</u>	
Net investment in capital assets	134,253
Unrestricted net position	<u>493,262</u>
Total net position	<u>\$ 627,515</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, 2023**

<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	\$ 1,485,011	\$ 19,414	\$ 1,395,744	\$ -	\$ (69,853)
Support services	1,560,849	-	1,467,023	-	(93,826)
Interest and other charges	5,515	-	5,183	-	(332)
Total governmental activities	<u>3,051,375</u>	<u>19,414</u>	<u>2,867,951</u>	<u>-</u>	<u>(164,010)</u>
Total	<u>\$ 3,051,375</u>	<u>\$ 19,414</u>	<u>\$ 2,867,951</u>	<u>\$ -0-</u>	<u>(164,010)</u>
General revenues:					
Contributions					9,506
Interest earned on investments					116
Other revenue					<u>5,100</u>
Total general revenues					<u>14,722</u>
Change in net position					(149,288)
Net position, beginning of year					<u>776,803</u>
Net position, end of year					<u>\$ 627,515</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, 2023**

	General	Special Revenue	EIA	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 365,337	\$ -	\$ -	\$ 365,337
Due from other governmental units	-	127,050	-	127,050
Due from other funds	119,374	-	12,222	131,596
Prepaid items and other assets	30,025	-	-	30,025
Total assets	\$ 514,736	\$ 127,050	\$ 12,222	\$ 654,008
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 9,253	\$ -	\$ -	\$ 9,253
Due to other funds	12,222	119,374	-	131,596
Unearned revenue	-	7,676	12,222	19,898
Total liabilities	21,475	127,050	12,222	160,747
Fund balances:				
Restricted	-	-	-	131,596
Nonspendable	30,025	-	-	30,025
Unassigned	463,236	-	-	463,236
Total fund balances	493,261	-0-	-0-	493,261
Total liabilities and fund balances	\$ 514,736	\$ 127,050	\$ 12,222	\$ 654,008

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, 2023**

Total fund balance - Governmental Funds	\$	493,261
<p>Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</p>		
<p>Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in Governmental Funds. The cost of assets is \$419,351, and the accumulated depreciation is \$249,049.</p>		170,302
<p>Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		<u>(36,048)</u>
Net position of governmental activities	\$	<u><u>627,515</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 Balance
Governmental Funds
For the Year Ended June 30, 2023**

	<u>General</u>	<u>Special Revenue</u>	<u>EIA</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 34,135	\$ 780	\$ -	\$ 34,915
State sources	1,913,585	13,542	440,333	2,367,460
Federal sources	<u>-</u>	<u>499,714</u>	<u>-</u>	<u>499,714</u>
Total revenues all sources	<u>1,947,720</u>	<u>514,036</u>	<u>440,333</u>	<u>2,902,089</u>
EXPENDITURES				
Current:				
Instruction	838,232	271,548	332,220	1,442,000
Support services	1,079,617	362,368	108,113	1,550,098
Community services	-	-	-	-
Debt services:				
Principal	32,335	-	-	32,335
Interest	5,515	-	-	5,515
Capital outlay	<u>3,264</u>	<u>-</u>	<u>-</u>	<u>3,264</u>
Total expenditures	<u>1,958,963</u>	<u>633,916</u>	<u>440,333</u>	<u>3,033,212</u>
Excess (deficiency) of revenues over expenditures	<u>(11,243)</u>	<u>(119,880)</u>	<u>-</u>	<u>(131,123)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	119,880	-	119,880
Operating transfers out	<u>(119,880)</u>	<u>-</u>	<u>-</u>	<u>(119,880)</u>
Total other financing sources (uses)	<u>(119,880)</u>	<u>119,880</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	<u>(131,123)</u>	<u>-0-</u>	<u>-0-</u>	<u>(131,123)</u>
Fund balance, July 1, 2022	<u>624,384</u>	<u>-0-</u>	<u>-0-</u>	<u>624,384</u>
Fund balance, June 30, 2023	<u>\$ 493,261</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 493,261</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 Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023**

Total net changes in fund balance - Governmental Funds	\$ (131,123)
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>	
<p>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 depreciation (\$53,764) exceeds capital outlays (\$3,264) in the period.</p>	(50,500)
<p>Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>	<u>32,335</u>
Change in net position of governmental activities	<u><u>\$ (149,288)</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, 2023**

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 approximately 200 students in grades kindergarten through grade twelve 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 Directors 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 all of the activities of the School, except for fiduciary funds, if any. Eliminations have been made 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.

Fund Financial Statements report detailed information about the School. The focus of Governmental Financial Statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

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.

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.

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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.

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, 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, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, 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:

Description	Years
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) Unearned revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Position or Fund Balance, Continued

9 Fund Balance, continued

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.

11) Use of Estimates

The preparation of the financial statements in conformity with GAAP 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.

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2023**

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.

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) Banks and 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) Deposits in 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;
- 5) The State Treasurer's Local Government Investment Pool (monitored by the State Treasurer for investments invested in government guaranteed securities in accordance with South Carolina State laws); and
- 6) Repurchase agreements.

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, 2023, the School had no cash balances which were not covered by the FDIC.

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.

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS, Continued

B. Due From/Due to Other Funds

Interfund balances at June 30, 2023, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Governmental Funds:		
General Fund	\$ 119,374	\$ 12,222
Special Projects Fund	-	119,374
Education Improvement Act Fund	<u>12,222</u>	<u>-</u>
Totals	<u>\$ 131,596</u>	<u>\$ 131,596</u>

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

Transfers from and to other funds for the year ended June 30, 2023, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ -	\$ 119,880
Special Projects Fund	<u>119,880</u>	<u>-</u>
Totals	<u>\$ 119,880</u>	<u>\$ 119,880</u>

The General Fund made transfers to the Special Projects Fund to cover food service expenses.

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS, Continued

C. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets being depreciated	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Capital assets being depreciated:				
Leasehold improvements	230,778	-	-	230,778
Equipment and furniture	171,334	3,264	-	174,598
Vehicles	13,975	-	-	13,975
Total capital assets being depreciated	<u>416,087</u>	<u>3,264</u>	<u>-0-</u>	<u>419,351</u>
Less accumulated depreciation for:				
Leasehold improvements	47,258	32,478	-	79,736
Equipment and furniture	142,902	18,492	-	161,394
Vehicles	5,124	2,795	-	7,919
Total accumulated depreciation	<u>195,284</u>	<u>53,765</u>	<u>-0-</u>	<u>249,049</u>
Total capital assets being depreciated, net	<u>220,803</u>	<u>(50,501)</u>	<u>-0-</u>	<u>170,302</u>
Governmental Activities capital assets, net	<u>\$ 220,803</u>	<u>\$ (50,501)</u>	<u>\$ -0-</u>	<u>\$ 170,302</u>

Depreciation expense charged to functions/programs was as follows:

Governmental Activities:	
Instruction	\$ 43,012
Supporting services	<u>10,753</u>
Total depreciation expense for Governmental Activities	<u>\$ 53,765</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 was fully paid during the year ended June 30, 2023.

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 \$36,049 at June 30, 2023.

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS, Continued

D. Long-Term Debt, Continued

Maturities of notes outstanding at June 30, 2023, based upon current financing arrangements, are as follows:

Year Ending June 30	Principal
2024	\$ 22,518
2025	13,531
Total	\$ 36,049

Changes in long-term debt for the year ended June 30, 2023, were as follows:

Notes payable, beginning of year	\$ 68,384
Borrowings	-
Principal payments	<u>(32,335)</u>
Notes payable, end of year	<u>\$ 36,049</u>

Interest expense for the year ended June 30, 2023, was \$5,515.

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. Lease 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 rent for the year ended June 30, 2023, is \$1,000 monthly. The lease was for twelve months through June 2022, with nine consecutive twelve-month option periods available.

The School has a lease agreement for a modular classroom unit. The original lease was for twelve months through June 2022. A lease addendum extended the lease for eighteen months at the same rate. The School pays a monthly lease payment of \$5,392.

The School follows the guidance of GASB Statement #87 *Leases* as of July 1, 2021. Under this new standard, a lessee entity is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, for long-term lease obligations. The School has analyzed its leases and determined that, due to terms and materiality, they did not meet the criteria for recognition as a long-term lease obligation and Right of Use Asset.

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2023**

IV. OTHER INFORMATION, Continued

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.

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 response to the pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security Act ("the CARES Act") which introduced aid to affected organizations. 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, including ESSER I, ESSER II, ESSER III, and GEER Fund.

E. Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through August 31, 2023, 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, 2023.

**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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
1000 Revenue from local sources			
1500 Earnings on investments			
1510 Interest on investments	\$ 50	\$ 115	\$ 65
1700 Pupil activities			
1740 Student fees	13,000	19,414	6,414
1900 Other revenue from local sources			
1920 Contributions and donations from private sources	6,000	9,506	3,506
1990 Miscellaneous local revenue			
1999 Revenue from other local sources	<u>6,500</u>	<u>5,100</u>	<u>(1,400)</u>
Total local sources	<u>25,550</u>	<u>34,135</u>	<u>8,585</u>
3000 Revenue from state sources			
3100 Restricted state funding			
3103 State aid to classrooms	1,947,088	1,908,269	(38,819)
3300 State aid to classrooms - Education Finance Act (EFA)			
3330 Miscellaneous EFA programs			
3392 NBC excess EFA formula	<u>-</u>	<u>5,316</u>	<u>5,316</u>
Total state sources	<u>1,947,088</u>	<u>1,913,585</u>	<u>(33,503)</u>
Total revenues all sources	<u>1,972,638</u>	<u>1,947,720</u>	<u>(24,918)</u>
EXPENDITURES			
100 Instruction			
110 General instruction			
112 Primary programs			
100 Salaries	29,500	29,197	303
200 Employee benefits	9,233	10,712	(1,479)

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
113 Elementary programs			
100 Salaries	\$ 196,965	\$ 216,929	\$ (19,964)
200 Employee benefits	130,877	161,169	(30,292)
300 Purchased services	13,090	62,677	(49,587)
400 Supplies and materials	43,500	24,625	18,875
114 High school programs			
100 Salaries	93,145	119,963	(26,818)
200 Employee benefits	43,122	44,203	(1,081)
300 Purchased services	15,000	31,365	(16,365)
120 Exceptional programs			
127 Learning disabilities			
100 Salaries	51,000	47,597	3,403
200 Employee benefits	10,536	32,736	(22,200)
300 Purchased services	13,544	18,279	(4,735)
170 Summer school programs			
175 Instructional programs beyond regular school day			
100 Salaries	7,008	32,158	(25,150)
200 Employee benefits	972	6,554	(5,582)
180 Adult/continuing education programs			
188 Parenting/family literacy			
400 Supplies and materials	-	68	(68)
Total instruction	<u>657,492</u>	<u>838,232</u>	<u>(180,740)</u>
200 Support services			
210 Pupil services			
212 Guidance services			
100 Salaries	55,903	59,602	(3,699)
200 Employee benefits	13,890	11,908	1,982
400 Supplies and materials	1,986	-	1,986
213 Health services			
100 Salaries	-	278	(278)
400 Supplies and materials	-	311	(311)
215 Exceptional program services			
300 Purchased services	7,008	4,305	2,703

**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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
230 General administrative services			
231 Board of education			
300 Purchased services	\$ 24,500	\$ 33,582	\$ (9,082)
318 Audit services	9,900	9,000	900
600 Other objects	12,028	11,769	259
233 School administration			
100 Salaries	226,074	239,062	(12,988)
200 Employee benefits	56,442	60,086	(3,644)
300 Purchased services	7,500	14,230	(6,730)
400 Supplies and materials	5,680	12,981	(7,301)
600 Other objects	1,500	(6,095)	7,595
250 Finance and operations services			
252 Fiscal services			
300 Purchased services	105,484	125,524	(20,040)
600 Other objects	1,368	516	852
254 Operation and maintenance of plant			
200 Employee benefits	8,334	8,150	184
300 Purchased services	271,200	301,832	(30,632)
400 Supplies and materials	1,500	2,230	(730)
470 Energy (incl gas, oil, elect & oth heating fuels)	3,500	15,188	(11,688)
500 Capital outlay	-	3,264	(3,264)
255 Student transportation (state mandated)			
300 Purchased services	1,900	4,883	(2,983)
260 Central support services			
263 Information services			
300 Purchased services	10,000	13,977	(3,977)
266 Technology and data processing services			
100 Salaries	31,841	30,979	862
200 Employee benefits	6,862	5,315	1,547
300 Purchased services	64,872	73,024	(8,152)
400 Supplies and materials	3,000	11,362	(8,362)

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
270 Support services - pupil activity			
271 Pupil service activities			
100 Salaries	\$ 2,000	\$ 1,500	\$ 500
200 Employee benefits	732	136	596
300 Purchased services	-	3,500	(3,500)
400 Supplies and materials	-	272	(272)
660 Pupil activity	<u>10,000</u>	<u>30,210</u>	<u>(20,210)</u>
Total support services	<u>945,004</u>	<u>1,082,881</u>	<u>(137,877)</u>
500 Debt services			
610 Redemption of principal	68,752	32,335	36,417
620 Interest	<u>12,589</u>	<u>5,515</u>	<u>7,074</u>
Total debt services	<u>81,341</u>	<u>37,850</u>	<u>43,491</u>
Total expenditures	<u>1,683,837</u>	<u>1,958,963</u>	<u>(275,126)</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers, from (to) other funds			
421-710 Transfer to Special Revenue Fund	<u>-</u>	<u>(119,880)</u>	<u>(119,880)</u>
Total other financing sources (uses)	<u>-</u>	<u>(119,880)</u>	<u>(119,880)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ 288,801</u>	<u>(131,123)</u>	<u>\$ (419,924)</u>
FUND BALANCE, July 1, 2022		<u>624,384</u>	
FUND BALANCE, June 30, 2023		<u>\$ 493,261</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, 2023**

	<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>
REVENUES							
1000 Revenue from local sources							
1600 Food services							
1610 Lunch sales to pupils	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 780	\$ 780
Total local sources	-	-	-	-	-	780	780
3000 Revenue from state sources							
3100 Restricted state funding							
3120 General education							
3127 Student health/fitness-PE teachers	-	-	-	-	1,324	-	1,324
3130 Special programs							
3134 CERDEP - full day 4K	-	-	-	-	6,508	-	6,508
3187 Teacher supplies (no carryover)	-	-	-	-	5,700	-	5,700
3190 Miscellaneous restricted state grants							
3193 Education license plates	-	-	-	-	10	-	10
Total state sources	-	-	-	-	13,542	-	13,542
4000 Revenue from federal sources							
4300 Elementary and Secondary Educ Act of 1965 (ESEA)							
4310 Title I, Basic State Grant (carryover prov)	161,224	-	-	-	-	-	161,224
4351 Supporting effective instruction	-	-	-	-	-	13,910	13,910

* 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, 2023**

	<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>
4500 Programs for children with disabilities							
4510 Individ with Disabil Educ Act (IDEA)	\$ -	\$ 41,198	\$ -	\$ -	\$ -	\$ 8,400	\$ 49,598
4900 Other federal sources							
4974 ESSER III	-	-	-	-	-	157,382	157,382
4990 Other federal revenue							
4999 Revenue from other federal sources	-	-	-	-	-	117,600	117,600
Total federal sources	<u>161,224</u>	<u>41,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,292</u>	<u>499,714</u>
Total revenues all sources	<u>161,224</u>	<u>41,198</u>	<u>-</u>	<u>-</u>	<u>13,542</u>	<u>298,072</u>	<u>514,036</u>

EXPENDITURES

100 Instruction							
110 General instruction							
111 Kindergarten programs							
100 Salaries	33,113	-	-	-	-	6,885	39,998
400 Supplies and materials	-	-	-	-	-	18,586	18,586
112 Primary programs							
100 Salaries	24,338	-	-	-	-	-	24,338

* 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, 2023**

	<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	\$ 37,297	\$ -	\$ -	\$ -	\$ 1,324	\$ -	\$ 38,621
400 Supplies and materials	-	-	-	-	5,700	-	5,700
114 High school programs							
100 Salaries	10,358	-	-	-	-	11,551	21,909
120 Exceptional programs							
127 Learning disabilities							
100 Salaries	-	41,198	-	-	-	57,274	98,472
300 Purchased services	-	-	-	-	-	3,374	3,374
130 Preschool programs							
139 Early childhood programs							
100 Salaries	18,750	-	-	-	-	-	18,750
180 Adult/continuing education programs							
188 Parenting/family literacy							
400 Supplies and materials	1,800	-	-	-	-	-	1,800
Total instruction	<u>125,656</u>	<u>41,198</u>	<u>-</u>	<u>-</u>	<u>7,024</u>	<u>97,670</u>	<u>271,548</u>
200 Support services							
220 Instructional staff services							
221 Improvement of instr curriculum develop							
100 Salaries	35,568	-	-	-	-	-	35,568

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2023**

	<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>
224 Improvement of instruction inserv and staff training							
100 Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 3,000
300 Purchased services	-	-	-	-	6,408	1,864	8,272
400 Supplies and materials	-	-	-	-	100	-	100
230 General administrative services							
233 School administration							
300 Purchased services	-	-	-	-	-	2,236	2,236
250 Finance and operations services							
256 Food services							
100 Salaries	-	-	-	-	-	97,640	97,640
200 Employee benefits	-	-	-	-	-	17,086	17,086
300 Purchased services	-	-	-	-	-	36,032	36,032
400 Supplies and materials	-	-	-	-	-	153,364	153,364
260 Central support services							
264 Staff services							
100 Salaries	-	-	-	-	-	6,810	6,810
266 Technology/data processing services							
300 Purchased services	-	-	-	-	-	2,250	2,250
400 Supplies and materials	-	-	-	-	10	-	10
Total support services	<u>35,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,518</u>	<u>320,282</u>	<u>362,368</u>
Total expenditures	<u>161,224</u>	<u>41,198</u>	<u>-</u>	<u>-</u>	<u>13,542</u>	<u>417,952</u>	<u>633,916</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, 2023**

	<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>
OTHER FINANCING SOURCES (USES)							
Interfund transfers, from (to) other funds							
420-710 Transfer to Gen Fund (excludes IC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,880	\$ 119,880
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,880</u>	<u>119,880</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE, July 1, 2022	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE, June 30, 2023	<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>

WINNSBORO, SOUTH CAROLINA
Special Revenue Fund
Schedule of Program Classifications
For Fiscal Year Ended June 30, 2023

LEA Subfund Code	Program	Revenue	Revenue Code
<u>OTHER RESTRICTED STATE GRANTS</u>			
937	Student health/fitness-PE teachers	\$ 1,324	3127
924	CERDEP - full day 4K	6,508	3134
917	Teacher supplies (no carryover)	5,700	3187
919	Education license plates	<u>10</u>	3995
		<u>\$ 13,542</u>	
<u>OTHER SPECIAL REVENUE PROGRAMS</u>			
802	Lunch sales to pupils	\$ 780	1610
267	Supporting effective instruction	13,910	4351
230	Individ with Disabil Educ Act (IDEA)	8,400	4510
218	ESSER III	157,382	4974
802	USDA meal reimbursements	<u>117,600</u>	4999
		<u>\$ 298,072</u>	

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Special Revenue Fund
Summary Schedule for Designated State Restricted Grants
For Fiscal Year Ended June 30, 2023**

<u>Subfund</u>	<u>Code</u>	<u>Programs</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Special Revenue</u>		<u>Special Revenue Fund Unearned</u>
					<u>Interfund Transfers In/(Out)</u>	<u>Other Fund Transfers In/(Out)</u>	
937	3127	Student health/fitness-PE teachers	\$ 1,324	\$ 1,324	\$ -	\$ -	\$ -
924	3134	CERDEP - full day 4K	6,508	6,508	-	-	7,676
917	3187	Teacher supplies (no carryover)	5,700	5,700	-	-	-
919	3995	Education license plates	10	10	-	-	-
			<u>\$ 13,542</u>	<u>\$ 13,542</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,676</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, 2023**

REVENUES	<u>Actual</u>
3000 Revenue from state sources	
3500 Education improvement act	
3503 State aid to classrooms	\$ 330,254
3519 Grade 10 assessments	378
3535 Reading coaches	56,354
3536 Student health & fitness	25,549
3541 Child Early Read Dev/Educ Prog(CERDEP)-4K	25,534
3557 Summer reading program	<u>2,264</u>
Total state sources	<u>440,333</u>
Total revenues all sources	<u>440,333</u>
EXPENDITURES	
100 Instruction	
110 General instruction	
113 Elementary programs	
100 Salaries	219,198
200 Employee benefits	4,548
114 High school programs	
100 Salaries	82,563
400 Supplies and materials	378
130 Preschool programs	
139 Early childhood programs	
100 Salaries	19,603
200 Employee benefits	<u>5,930</u>
Total instruction	<u>332,220</u>
200 Support services	
210 Pupil services	
213 Health services	
100 Salaries	23,502
200 Employee benefits	2,047

**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, 2023**

	Actual
230 General administrative services	
233 School administration	
100 Salaries	\$ 49,539
260 Central support services	
266 Technology/data processing services	
100 Salaries	33,025
Total support services	108,113
Total expenditures	440,333
OTHER FINANCING SOURCES (USES)	
Interfund transfers, from (to) other funds	
420-710 Transfer to General Fund (excludes indirect costs)	-
Total other financing sources (uses)	-
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-0-
FUND BALANCE, July 1, 2022	-0-
FUND BALANCE, June 30, 2023	\$ -0-

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Education Improvement Act
Summary Schedule by Program
For Fiscal Year Ended June 30, 2023**

<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						
3503 State aid to classrooms	\$ 330,254	\$ 330,254	\$ -	\$ -	\$ -	-
3519 Grade 10 assessments	378	378	-	-	-	370
3526 Refurbishment of science kits	-	-	-	-	-	5,199
3535 Reading coaches	56,354	56,354	-	-	-	-
3536 Student health & fitness	25,549	25,549	-	-	-	-
3541 Child Early Read Dev/Educ Prog(CERDE	25,534	25,534	-	-	-	6,254
3557 Summer reading program	2,264	2,264	-	-	-	-
3595 EEDA - supplies and materials	-	-	-	-	-	399
TOTALS	\$ 440,333	\$ 440,333	\$ -0-	\$ -0-	\$ -	\$ 12,222

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA**
Schedule of Due to State Department of Education/Federal Government
June 30, 2023

<u>Program</u>	<u>Grant/ Project Number</u>	<u>Revenue & Subfund Codes</u>	<u>Description</u>	<u>Amount Due to SCDE/Federal Government</u>	<u>Status of Amount Due to Grantors</u>
				\$ <u>-0-</u>	
				\$ <u><u>-0-</u></u>	

MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Schedule of Findings and Responses
For Fiscal Year Ended June 30, 2023

Section I - Summary of Auditors' Results

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

Section II - Financial Statement Findings

None.

**MIDLANDS STEM INSTITUTE
WINNSBORO, SOUTH CAROLINA
Schedule of Prior Year Findings
For Fiscal Year Ended June 30, 2023**

Section I - Financial Statement Findings

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, 2023, and have issued our report thereon dated August 31, 2023. 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 the School’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 the School’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 control, 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
August 31, 2023