

MIDDLESEX COUNTY STEM CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED June 30, 2020

MIDDLESEX COUNTY STEM CHARTER SCHOOL

***Middlesex County Stem Charter School
Board of Trustees
Perth Amboy, NJ***

***Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Prepared By

***Middlesex County Stem Charter School
Finance Department***

And

Barre & Company, LLC CPA's

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INTRODUCTORY SECTION

***Middlesex County Stem Charter School
430 Market St
Perth Amboy, NJ 08861
848-242-1818***

January 15, 2021

Honorable President and
Members of the Board of Trustees
Middlesex County Stem Charter School
Middlesex County
Perth Amboy, NJ

Dear Board Members:

The comprehensive annual financial report of the Middlesex County Stem Charter School (Charter School) for the fiscal year ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (U.S. Uniform Guidance) and New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

An elected five-member Board of Trustees (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of the Charter School funds.

The Chief Education Officer of the Charter School is responsible to the Board for total educational and support operations. The Curriculum Director is responsible to the Chief Education Officer for the educational programs of all campuses. The Business Administrator is the Chief Financial Officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

1. REPORTING ENTITY AND ITS SERVICES:

Middlesex County Stem Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14, as amended. All funds and account groups of the school are included in this report. Middlesex County Stem Charter School, Board of Trustees, constitutes the Charter School’s reporting entity.

Middlesex County Stem Charter School provides a full range of educational services to students in grades kindergarten through 3rd grade. These services included regular, as well as special education instruction. One Hundred Eighty-three primary school students were enrolled in kindergarten, grade 1, grade 2 and grade 3. The mission of the Middlesex County STEM Charter School is to provide rigorous science, technology, engineering, and math curricula in a diverse and nurturing environment to spark students’ interest at early ages in STEM careers. The vision of Middlesex County STEM Charter School is to prepare students for the 21st century, which demands a more comprehensive skill set to be possessed by each member of our society. Due to constant technological breakthroughs, our students will enter a global market where they will compete with people from all over the world for high-tech jobs that require critical thinking and problem-solving skills. Sparking students’ interest at early ages, Middlesex County STEM Charter School helps students prepare for such a market by exposing them to a comprehensive science, technology, engineering, and math (STEM) program with rigor and relevance. Middlesex County STEM Charter School’s STEM-oriented instructional model promotes collaborative, cross-curricular learning, which stimulates meaningful connections to real life problems, and encompasses hands-on, problem-based, and inquiry-based teaching and learning with increased use of technology. Having been exposed to this approach through the middle school, Middlesex County STEM Charter School graduates will be motivated to pursue STEM education in high school and beyond.

Middlesex County Stem Charter School’s program is modeled after some of the highest performing urban charters schools in the country and includes standardized classroom procedures, regular testing to track student progress, more time on task, a focus on values and building community, clear and innovative rewards and consequences designed to teach and emphasize positive academic and social behavior, school uniforms, 90-120 minutes of homework each night, and an overall rigorous academic program. Middlesex County Stem Charter School provides a longer school day and a longer school year which includes a two-week summer session.

Language arts and math classes are taught for more minutes each week than most schools. In addition, all students are provided with general music instruction and learn to master a musical instrument.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2019-2020	183.5	N/A
2018-2019	93.0	N/A

2. ECONOMIC CONDITION AND OUTLOOK: Perth Amboy continues to experience a period of development and expansion which is expected to continue through the Twenty-first century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Trenton will continue to prosper.

3. MAJOR INITIATIVES: The Charter School has developed a comprehensive strategic plan to support its mission and vision and serves as a blueprint for the achievement of its goals. The plan includes objectives, such as pupil achievement as measured by standardized tests and teacher assessment instruments; formal professional development for the certified and non-certified staff; and the implementation of a technology plan in all classrooms.

4. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Charter School's management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of internal controls, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

BUDGETARY CONTROLS (CONTINUED)

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reservations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as assignments of fund balance at June 30, 2020.

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Basic Financial Statement” Note 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen’s compensation.

8. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, LLC Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditors’ report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ reports, related specifically to the single audit, are included in the single audit section of this report.

9. ANTI-BULLYING: On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members, anti-bullying specialists, anti-bullying coordinators, administrative staff and board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2019-2020, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

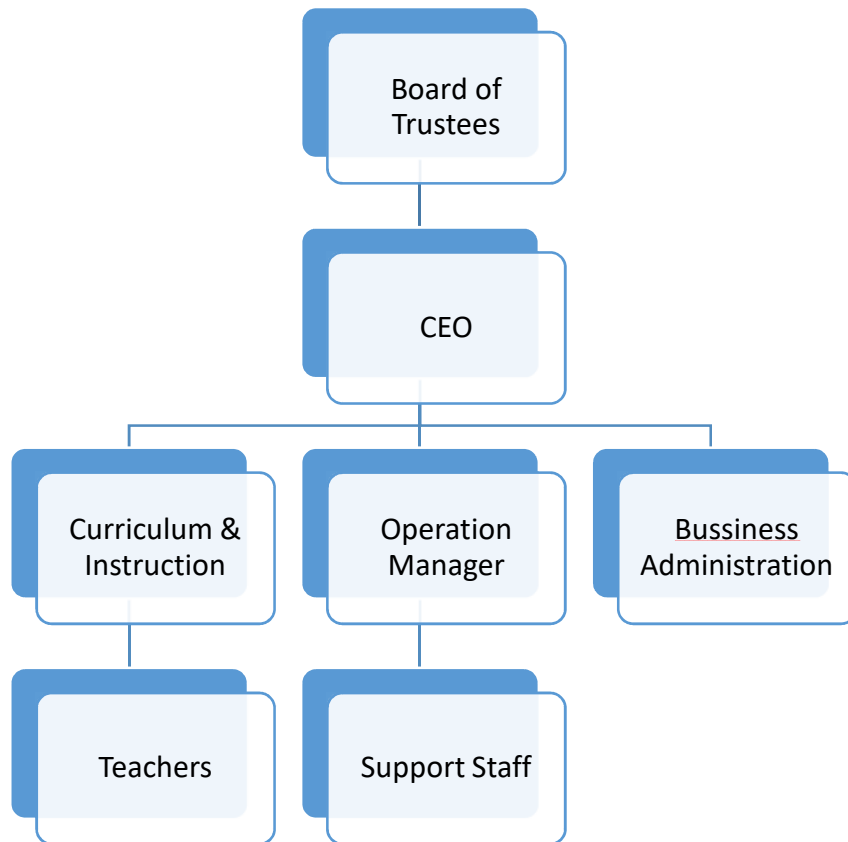
10. **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Middlesex County Stem Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'FATIH KAYALAR', with a horizontal line underneath it.

Fatih Kayalar
Business Administrator

MIDDLESEX COUNTY STEM CHARTER SCHOOL ORGANIZATIONAL CHART



**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

**ROSTER OF OFFICIALS
JUNE 30, 2020**

MEMBERS OF THE BOARD OF TRUSTEES

Names	Position
Mrs. Jackie Lewis	President
Mr. Anthony Attanasio	Vice President
Mr. John Cascarano	Member
Mr. David Vitali	Member
Mr. Anton Antony Arockiasamy	Member

OTHER OFFICIALS

Dr. Namik Sercan	Chief Education Officer
Mr. Fatih Kayalar	Business Administrator/ Board Secretary
Mr. Christopher Lessard	Treasurer

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company LLC
Certified Public Accountants
2204 Morris Avenue, Suite 206
Union, New Jersey 07083

Attorney

Stefani Schwartz
Weiner Law Group, LLP
629 Parsippany Road
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Parsippany, New Jersey 07054

Official Depository

Wells Fargo Bank
Trenton Financial Center
One W State Street
Trenton, New Jersey 08608

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Middlesex County Stem Charter School
Middlesex County
Perth Amboy, NJ

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Middlesex County Stem Charter School (Charter School), in the Middlesex County, State of New Jersey, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Charter School's 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 audit contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 also 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Middlesex County Stem Charter School, in the , State of New Jersey, as of June 30, 2020, and the respective changes in the financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, following this report, budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, schedule of expenditures of federal awards, and statistical section are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey*

In accordance with Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey, we have also issued our report dated January 15, 2021 on our consideration of the Middlesex County Stem Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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 the Office of School Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
January 15, 2021

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED**

The discussion and analysis of Middlesex County Stem Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended **June 30, 2020**. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- ❖ General revenues accounted for \$2,690,213 or 96% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$125,052 or 4% of total revenues of \$2,815,265.
- ❖ The Charter School had \$2,378,234 in expenses; only \$125,052 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$2,690,213 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$2,437,117 in revenues and \$1,991,159 in expenditures. The General Fund's fund balance increased \$445,958 over 2019. This increase was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Middlesex County Stem Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Middlesex County Stem Charter School, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during **2020**?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

Statement of Net Position and the Statement of Activities (Continued)

most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the Charter School is divided into two kinds of activities:

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 37 of this report.

The Charter School as a Whole

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined Net Position were \$382,240 for **2020** and -\$54,791 for 2019.

Governmental Activities

The Charter School's total revenues were \$2,815,221 for **2020** and \$1,202,458 for 2019, this includes \$52,754 for **2020** and \$19,859 for 2019 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$2,369,263 for 2020 and \$1,207,064 for 2019. Instruction comprises 52% for **2020** and 41% for 2019 of Charter School expenses.

Business-Type Activities

In 2018, the Charter School entered into a shared service agreement with Central Jersey College Prep Stem Charter School ("Central Jersey"), where the Central Jersey provides certain support and administrative staff to Middlesex. Central Jersey bills Middlesex for these services based on the terms of their agreement.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
❖ (CONTINUED)**

Governmental Activities

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$2,815,221 for **2020** and \$1,202,458 for 2019 and expenditures were \$2,369,263 for 2020 and \$1,242,950 for 2019. The net change in fund balance was most significant in the general fund, an increase of \$445,958 in 2020 and an increase of \$40,492 in 2019.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended **June 30, 2020**, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2019	Percent of Increase/ (Decrease)
Local Sources	\$ 514,128	18.26%	\$ 306,103	147.15%
State Sources	1,922,989	68.31%	975,603	102.98%
Federal Sources	378,104	13.43%	331,057	703.67%
Total	\$ 2,815,221	100.00%	\$ 1,612,763	

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2020, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2019	Percent of Increase/ (Decrease)
Instruction	\$ 1,065,702	44.98%	\$ 566,737	113.58%
Administration	530,308	22.38%	195,053	58.18%
Support Services	773,253	32.64%	409,380	112.51%
Capital Outlay	-	0.00%	(44,857)	-100.00%
Total	\$ 2,369,263	100.00%	\$ 1,126,313	

General Fund Budgeting Highlights

The Charter School's budget is prepared according to New Jersey 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.

Over the course of the year, the Charter School revised the annual operating budget in accordance with state regulations. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

Capital Assets (Net of Depreciation) and Debt Administration

The Charter School had \$26,915 for 2020 and \$35,886 for 2019 invested in a newly purchased building, building improvements, and equipment. As of June 30, 2020 there was no debt.

For the Future

The Middlesex County Stem Charter School is in stable financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, Middlesex County Stem Charter School has committed itself to financial stability for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Fatih Kayalar, Business Administrator at Middlesex County Stem Charter School, 430 Market St, Perth Amboy, NJ 08861.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 371,923	\$ 948	\$ 372,871
Internal Balances	100	(100)	-
Receivables	252,385	-	252,385
Prepaid Expenses	16,150	-	16,150
Capital Assets, Net	26,915	-	26,915
	<u>667,473</u>	<u>848</u>	<u>668,321</u>
LIABILITIES:			
Accounts Payable	26,606	50,989	77,595
Loans Payable	208,486	-	208,486
	<u>235,092</u>	<u>50,989</u>	<u>286,081</u>
NET POSITION (DEFICIT):			
Net Investment in Capital Assets	26,915	-	26,915
Unrestricted	405,466	(50,141)	355,325
	<u>432,381</u>	<u>(50,141)</u>	<u>382,240</u>
Total Net Position (Deficit)	<u>\$ 432,381</u>	<u>\$ (50,141)</u>	<u>\$ 382,240</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Statement of Activities
For The Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues				Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
GOVERNMENTAL ACTIVITIES:									
Instruction	\$ 1,065,702	\$ 158,993	\$ -	\$ 72,298	\$ -	\$ (1,152,397)	\$ -	\$ (1,152,397)	
Administration	273,162	20,906		52,754		(241,314)		(241,314)	
Support Services	773,253	77,247				(850,500)		(850,500)	
Unallocated Depreciation	8,971					(8,971)		(8,971)	
Total Governmental Activities	2,121,088	\$ 257,146	-	125,052	-	(2,253,182)	-	(2,253,182)	
Total Primary Government	\$ 2,121,088			\$ 125,052	\$ -	\$ (2,253,182)	\$ -	\$ (2,253,182)	
GENERAL REVENUES									
Federal and State Aid Not Restricted						\$ 2,655,185		\$ 2,655,185	
Miscellaneous Income						34,984	44	35,028	
Total General Revenues						2,690,169	44	2,690,213	
Change in Net Position						436,987	44	437,031	
Net Position - Beginning						(4,606)	(50,185)	(54,791)	
Net Position - Ending						\$ 432,381	\$ (50,141)	\$ 382,240	

SECTION B – FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

GOVERNMENTAL FUNDS

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Governmental Funds

Balance Sheet

June 30, 2020

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 371,923	\$ -	\$ 371,923
Receivables:			
Interfund Receivables	103,219		103,219
Receivables From Other Governments	82,198	112,435	194,633
Receivables, Net	44,272		44,272
Other Assets	16,150	-	16,150
Total Current Assets	617,762	112,435	730,197
Total Assets	\$ 617,762	\$ 112,435	\$ 730,197
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 89,639	89,639
Accounts Payable	3,810	22,796	26,606
Loans Payable	208,486	-	208,486
Total Current Liabilities	212,296	112,435	324,731
Total Liabilities	212,296	112,435	324,731
Fund Balances:			
Unassigned:			
General Fund	405,466		405,466
Total Fund Balances	405,466	-	405,466
Total Liabilities and Fund Balances	\$ 617,762	\$ 112,435	

Amounts reported for *governmental activities* in the statement of net position (A-1) which are different:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$44,857 and the accumulated depreciation is \$17,942.

	26,915
Net Position of Governmental Activities	\$ 432,381

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2020

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 479,144	\$ -	\$ 479,144
Miscellaneous	34,984		34,984
	514,128		514,128
Total Local Sources			
State Sources	1,922,989		1,922,989
Federal Sources		378,104	378,104
	2,437,117	378,104	2,815,221
Total Revenues			
EXPENDITURES:			
Current:			
Instruction	742,214	323,488	1,065,702
Administration	530,308		530,308
Support Services	718,637	54,616	773,253
	1,991,159	378,104	2,369,263
Total Expenditures			
NET CHANGE IN FUND BALANCES	445,958		445,958
FUND BALANCES, JULY 1	(40,492)		(40,492)
FUND BALANCES, JUNE 30	\$ 405,466	\$ -	\$ 405,466

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Total net change in fund balances - governmental fund (from B-2)	\$ 445,958
Amounts reported for governmental activities in the statement of activities (A-2) which are different:	
Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.	
Depreciation Expense	\$ (8,971)
Capital Outlay	<u> -</u>
	<u> (8,971)</u>
Change in net position of governmental activities	<u><u>\$ 436,987</u></u>

The accompanying Notes to Basic Financial Statements are integral part of this statement.

PROPRIETARY FUNDS

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Proprietary Fund
 Statement of Fund Net Position
 June 30, 2020

	Business-Type Activities		
	Food Service	After Care	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 948	\$ -	\$ 948
Total Current Assets	948	-	948
Total Assets	\$ 948	\$ -	\$ 948
LIABILITIES AND NET POSITION			
Liabilities:			
Current Liabilities:			
Interfund Accounts Payable	\$ 100	-	\$ 100
Accounts Payable	42,274	8,715	50,989
Total Current Liabilities	42,374	8,715	51,089
Total Liabilities	42,374	8,715	51,089
Net Position:			
Unrestricted (Deficit)	\$ (41,426)	\$ (8,715)	\$ (50,141)
Total Net Position (Deficit)	(41,426)	(8,715)	(50,141)
Total Liabilities and Net Position	\$ 948	\$ -	\$ 948

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Fiscal Year Ended June 30, 2020

	Business-Type Activities			
	Food Service Program			Total Enterprise
	Food Service	Fixed Contract Price	After Care	
NONOPERATING REVENUES:				
Miscellaneous Income	44			44
Total Nonoperating Revenues	44	-	-	44
CHANGE IN NET POSITION	44	-	-	44
TOTAL NET POSITION, JULY 1	(41,470)	-	(8,715)	(50,185)
TOTAL NET POSITION, JUNE 30	\$ (41,426)	\$ -	\$ (8,715)	\$ (50,141)

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Proprietary Fund

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020

	Business-Type Activities		
	Food Service	After Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 44	\$ -	\$ 44
Net Cash Used In Operating Activities	44	-	44
Net Increase In Cash And Cash Equivalents	44	-	44
Cash And Cash Equivalents, Beginning Of Year	904	-	904
Cash And Cash Equivalents, End Of Year	<u>\$ 948</u>	<u>\$ -</u>	<u>\$ 948</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating (Loss) Used for Operating Activities	\$ 44	\$ -	\$ 44
Net Cash Used In Operating Activities	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 44</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Trusts		
	Unemployment Compensation Trust	Flexible Spending Account	Agency Fund
ASSETS:			
Cash and Cash Equivalents	\$ 5,109	\$ 9,768	\$ 3,849
Total Assets	<u>5,109</u>	<u>9,768</u>	<u>\$ 3,849</u>
LIABILITIES:			
Interfund Accounts Payable	\$ -	\$ 9,768	\$ 3,712
Accounts Payable	66		
Due to Student Groups			137
Total Liabilities	<u>66</u>	<u>9,768</u>	<u>\$ 3,849</u>
NET POSITION:			
Held in Trust for Claims	5,043		
Total Net Position	<u>\$ 5,043</u>	<u>\$ -</u>	
Total Liabilities and Net Position	<u>\$ 5,109</u>	<u>\$ 9,768</u>	

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For Fiscal Year Ended June 30, 2020

	<u>Unemployment Compensation Trust</u>	<u>Health Benefits Trust</u>
ADDITIONS:		
Local Sources:		
Contributions:		
Employees	\$ 3,226	\$ 23,961
Total Additions	<u>3,226</u>	<u>23,961</u>
DEDUCTIONS:		
Payments	<u>-</u>	<u>23,961</u>
Total Deductions	<u>-</u>	<u>23,961</u>
CHANGE IN NET POSITION	3,226	-
NET POSITION, JULY 1	<u>1,817</u>	<u>-</u>
NET POSITION, JUNE 30	<u>\$ 5,043</u>	<u>\$ -</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Middlesex County Stem Charter School have been prepared in conformity with generally accepted accounting principles generally (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body responsible for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the Charter School are described below.

B. Reporting Entity

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintain a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14, as amended of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, as amended, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which it exercises operating control.

C. Basic Financial Statements – Government-Wide Statements

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the Charter School, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Government-Wide Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the Charter School.

D. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter School:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

General Fund – The general fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, charter school taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Proprietary Fund Type - The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Charter School:

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

Enterprise (Food Service and After Care) Fund: The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Charter School has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

In its accounting and financial reporting, the Charter School follows the pronouncements of the GASB.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Charter School enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Types - Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Charter School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation and Agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be sued to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Trust Funds – The unemployment compensation fund is used to account for contributions from the Charter School and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. Although there is no formal trust agreement, the State of New Jersey requires charter schools to include the unemployment compensation trust as a private-purpose trust fund in the fiduciary fund. The principal and income deposited into this fund are for the sole benefit of the specific individuals or former employees. The management of the Charter School is not involved in determining the amounts current employees contribute to the fund or amounts paid out by the fund. That determination is made by the State of New Jersey. The Unemployment Compensation Fund is recorded as a trust fund because there is no debt issued related to unemployment compensation claims.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

Agency Funds (Payroll, Payroll Agency, Student Activity and Athletic Funds): The agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. These are custodial in nature and do not involve measurement of results of operations.

In accordance with GASB Statement 34, fiduciary funds are not included in the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The government-wide proprietary and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants, entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The Charter School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Budgets/Budgetary Control

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

	2020	2019
Total Revenues & Expenditures (Budgetary Basis)	\$ 378,104	\$ 47,047
Adjustments:		
Less Encumbrances at June 30, 2020	-	-
Plus Encumbrances at June 30, 2019	-	-
Total Revenues and Expenditures (GAAP Basis)	\$ 378,104	\$ 47,047

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

New Jersey charter schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey charter schools.

Additionally, the Charter School had adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

2. Short-term Interfund Receivables/Payables

Short-term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

3. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the Charter School to report and depreciate new infrastructure assets include roads, parking lots, underground pipe, etc. The Charter School has included all infrastructure assets in the current fiscal year.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

5. Fund Equity

Restricted represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Assigned fund balances represent plans for future use of financial resources.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. 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.

8. Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2020. The Charter School had no prepaid expenses for the fiscal year ended June 30, 2020.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (non-allocation method). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

9. Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

10. Revenues — Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, and tuition.

11. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

12. Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

Allocation of Indirect Expenses (continued):

Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

13. Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

14. Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

15. Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

16. Net Position/Fund Balance

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

Net Position/Fund Balance (continued)

In the Government-Wide Statements, there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also should be included.

Restricted Net Position – reports net position when constraints placed on the residual amount of noncapital assets are either imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – any portion of net position not already classified as either net investment in capital assets or net position-restricted.

H. Fund Balance Reserves

In the fund financial statements, governmental funds report the following classifications of fund balance:

Unassigned – Includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The Charter School reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, and the Charter School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

There are no recently issued and adopted accounting pronouncements for fiscal year ended June 30, 2020.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles

The GASB has issued the following Statements that will become effective for the Charter School for fiscal years ending after June 30, 2020

GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

I. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund. N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

Deposits and Investments (continued)

Deposits(continued)

Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks of which the deposits are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

As of June 30, 2020, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating					
Account	\$ 371,923	\$ -	\$ 948	\$ 18,726	\$ 391,597

The Charter School had no investments at June 30, 2020.

The carrying amount of the Board's cash and cash equivalents at June 30, 2020 was \$391,597 and the bank balance was \$683,079 . All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Charter School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Charter School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of June 30, 2020, none of the cash and cash equivalents for Middlesex County Stem Charter School were exposed to custodial credit risk.

The Charter School does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
 - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;
 - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;
 - (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
 - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
 - (6) Local government investment pools;
 - (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
 - (8) Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2020.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

Investments (Continued)

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at **June 30, 2020**.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at **June 30, 2020**.

Receivables

Receivables at **June 30, 2020**, consisted of accounts, intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Funds		Total Governmental Activities	Total
	General Fund	Special Revenue Fund		
State Awards	\$ 126,470	\$ -	\$ 126,470	\$126,470
Federal Awards	-	112,435	112,435	112,435
Other	-	-	-	-
Gross Receivables	126,470	112,435	238,905	238,905
Less: Allowance for Uncollectibles	-	-	-	-
Total Receivables, Net	<u>\$ 126,470</u>	<u>\$ 112,435</u>	<u>\$ 238,905</u>	<u>\$238,905</u>

A. Interfund Receivables and Payables

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2020:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 103,219	\$ -
Special Revenue Fund		89,639
Proprietary Fund		100
Fiduciary Fund		13,480
Total	<u>\$ 103,219</u>	<u>\$ 103,219</u>

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

B. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Site Improvements	\$ -	\$ -	\$ -	\$ -
Building and Building Improvements	-	-	-	-
Machinery and Equipment	44,857	-	-	44,857
Totals at Historical Cost	<u>44,857</u>	<u>-</u>	<u>-</u>	<u>44,857</u>
Less Accumulated Depreciation For:				
Site Improvements	-	-	-	-
Building and Building Improvements	-	-	-	-
Machinery and Equipment	8,971	8,971	-	17,942
Total Accumulated Depreciation	<u>8,971</u>	<u>8,971</u>	<u>-</u>	<u>17,942</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	35,886	(8,971)	-	26,915
Government Activity Capital Assets, Net	<u>\$ 35,886</u>	<u>\$ (8,971)</u>	<u>\$ -</u>	<u>\$ 26,915</u>
Business-Type Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	0	\$ -	\$ -	\$ -
Less Accumulated Depreciation	0	-	-	-
Enterprise Fund Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Unallocated	<u>8,971</u>
Total	<u>\$ 8,971</u>

Rental Lease

On March 8, 2018, the lease between Sunbeam MH, LLC and Middlesex County Stem Charter School was executed for two years commencing on August 1, 2018 and ending on July 30, 2020. The lease requires future annual rental payments of \$417,511. Rent expense for the year ended June 30, 2020 is \$194,588.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3: PENSION PLANS

Substantially all the Board's employees participate in one of the two contributory, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. In addition, certain employees may participate in the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees; Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4: PENSION PLANS (CONTINUED)

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates. The Charter School has not yet been allocated a pension liability or pension costs therefore there are no schedules presented.

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratios of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2018 through June 30, 2019. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences. For the measurement period ending **June 30, 2019** June 30, 2019 there was not allocation percentage assigned to the Charter School.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2019 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2019. For the measurement period ending June 30, 2019 there was not allocation percentage assigned to the Charter School.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4: PENSION PLANS (CONTINUED)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The state's pension contributions is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019 measurement date, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment amounts certified for payments due not be included in their unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. There were no Charter School contributions to PERS for fiscal year 2020.

Pension Liabilities Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Charter School did not report a liability for its proportionate share of the net pension liability.

For the fiscal year ended June 30, 2020, the Charter School recognized no pension expense. At June 30, 2020, the Charter School reported no deferred outflows of resources and no deferred related to pensions.

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively

Actuarial Assumptions

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4: PENSION PLANS (CONTINUED)

Actuarial Assumptions (continued)

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Pension Liabilities Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

		Long Term
		Expected Real
	Target	Rate of
Asset Class	Allocation	Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4: PENSION PLANS (CONTINUED)

Pension Liabilities Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2019, based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan investments was applied to projected benefit payment through June 30, 2057. Therefore the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Charter School has not yet been assigned a proportionate share of the collective net pension liability as of June 30, 2019.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4: PENSION PLANS (CONTINUED)

Benefit Provided

The vesting and benefit provision are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested of 2% of related interest earned on the contributions. In the case of death before retirement, member's beneficiaries are entitled to full interest credited to the member's accounts. The following represents the membership tiers for TPAF:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective Tier. Deferred retirements is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective Tier.

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2019 measurement date.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4: PENSION PLANS (CONTINUED)

Allocation Methodology (Continued)

Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contributions policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019 measurement date, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The Employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contribution was less than the actuarial determined amount.

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal years ended 2020, the State of New Jersey did not make a contribution to the TPAF for normal pension benefits on behalf of the Charter School.

As June 30, 2019, the State's proportionate share of the net pension liability associated with the Charter School was \$0.

For the fiscal year ended June 30, 2019, the State recognized no pension expense on behalf of the Charter School and the Charter School recognized no pension expense and revenue for that same amount in the fiscal year ended June 30, 2020 financial statements.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4: PENSION PLANS (CONTINUED)

Special Funding Situation(continued)

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 8,729,264,342	\$ 17,163,131,436
Difference Between Expected and Actual Experience	1,203,503,264	213,344,311
Changes in Proportion and differences between employer contributions and proportionate share of contributions	196,394,631	196,394,631
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	163,369,676
	<u>\$ 10,129,162,237</u>	<u>\$ 17,736,240,054</u>

The \$ \$10,129,162,237 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$ \$17,736,240,054 reported as a deferred inflow of resources resulting from the difference between projected and actual.

Fiscal Year Ending June 30,	Total
2021	\$ (272,405,510)
2022	(704,260,700)
2023	(630,562,767)
2024	(1,216,378,743)
2025	(2,381,316,232)
Thereafter	(2,402,153,865)
	<u>\$ (7,607,077,817)</u>

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate		
Price		2.75%
Wages		3.25%
Salary Increases:		
Through 2026		1.55 - 4.45%
		based on years of service
Thereafter		2.75 - 5.65%
		based on years of service
Investment Rate of Return		7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (continued)

These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expecting inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2019 is summarized in the following table:

Asset Class	Target Allocation	Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2019, based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contributions rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position – TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

For DCRP, the Charter School recognized no pension expense for the fiscal year ended June 30, 2020. There were no employee contributions to DCRP for the fiscal year ended June 30, 2020.

NOTE 5: POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

Plan Description and Benefits Provided

The school is in a "special funding situation, as described in GASB Statement No. 75 in that OPEB contributions and expense are legally required to be made by and are the sole responsibility of the State of New Jersey.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5: POST-RETIREMENT BENEFITS (Continued)

General Information about the OPEB Plan (continued)

Plan Description and Benefits Provided (continued)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%			
		TPAF/ABP	PERS	PFRS
Salary Increases				
Through 2026		1.55% to 3.05%	2.00% to 6.00%	3.25% to 15.25%
		based on service	based on service	based on service
		years	years	years
Rate thereafter		1.55% to 3.05%	3.00% to 7.00%	Applied to all
		based on service	based on service	future
		years	years	years

Preretirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS) and Safety (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018, July 1, 2013 - June 30, 2018, and July 1, 2014 - June 30, 2018 and July 1, 2013 - June 30, 2018 for TPAF, PFRS and PERS, respectively.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5: POST-RETIREMENT BENEFITS (Continued)

General Information about the OPEB Plan (continued)

Plan Description and Benefits Provided (continued)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescriptions on drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For Medicare Part B reimbursement, the trend rate is 5.0%.

Discount rate

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal band rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate. There is no liability assigned to the Charter School as of the fiscal year ended June 30, 2020.

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate:

The school has not yet been allocated a portion of the liability.

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate:

The school has not yet been allocated a portion of the liability. If it were allocated a proportion then the following presents the total nonemployer OPEB liability as of June 30, 2019 calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5: POST-RETIREMENT BENEFITS (Continued)

General Information about the OPEB Plan (continued)

Plan Description and Benefits Provided (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020 the Charter School recognized no OPEB expense as determined by the State of New Jersey Division of Pensions and Benefits.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2019 the charter school had no deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources. There were no amounts reported as deferred outflows of resources and deferred inflows of resources related OPEB that will be recognized in OPEB expense.

NOTE 6: RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Charter School has insurance through Diploma Joint Insurance Funds.

The Charter School continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The table below is a summary of charter school contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the charter school's expendable trust fund for the current year.

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
-2020	\$ -	\$ 3,226	\$ -	\$ 5,043
-	-	1,901	84	1,817

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2020, the Charter School recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance were \$0 , \$52,754 , \$0 , and \$0 , respectively.

NOTE 8: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Charter School expects such amount, if any, to be immaterial.

NOTE 9: CONCENTRATIONS

The Charter School depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the Charter School is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations

NOTE 10: NOTES PAYABLE

On June 15, 2020 the Charter School (the "Borrower"), was granted a loan (the "Loan") from Unity Bank. in the aggregate amount of \$208,486 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated June 15, 2020 issued by the Borrower, matures on June 15, 2025 and bears interest at a rate of 1.00% per annum, with payments of principal, interest, and fees due at the time that the SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period). The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. The loan and accrued interest may be forgiven after twenty four weeks from June 15, 2020 as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Charter School intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11: RELATED PARTY TRANSACTIONS

In 2018, the Charter School entered into a shared service agreement with Central Jersey College Prep Stem Charter School (“Central Jersey”), where the Central Jersey provides certain support and administrative staff to Middlesex. Central Jersey bills Middlesex for these services based on the terms of their agreement. As of June 30, 2020 Middlesex had a payable balance of \$42,274 representing unpaid balances from fiscal years 2019 and 2020. The June 30, 2019 balance was paid in October, 2020.

In 2019, Central Jersey entered into a food service agreement with Middlesex where Central Jersey would provide food services to Middlesex during the 2020 school year. The agreement is in accordance with Department of Agriculture guidelines. There are no charges for this service per the agreement.

There are members of Central Jersey’s Board of Trustees that also serve on the Middlesex Board of Trustees and the same school business administrator is used for both charter schools.

NOTE 12: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

The General Fund balance (deficit) at June 30, 2020 is \$405,466 of which \$405,466 and is unassigned and \$0 is assigned for encumbrances.

NOTE 13: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 15, 2021, the date the financial statements were available to be issued. There were no subsequent events to report except for the following:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the Company’s results of future operations, financial position, and liquidity in fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

MIDDLESEX COUNTY STEM CHARTER SCHOOL

General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	2020				
	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Levy Budget:					
Equalization Aid Local Share-Charter School Aid	\$ 423,322	\$ 32,325	\$ 455,647	\$ 479,144	\$ 23,497
Total Local Levy Budget	423,322	32,325	455,647	479,144	23,497
Categorical Aid:					
Equalization Aid State Share-Charter School Aid	1,919,862	(154,156)	1,765,706	1,728,756	(36,950)
Special Education Categorical Aid	92,358	(20,060)	72,298	72,298	
Security Aid			-	69,181	69,181
Total Categorical Aid	2,012,220	(174,216)	1,838,004	1,870,235	32,231
Revenues From Other Sources:					
Miscellaneous Revenue				34,984	34,984
On-Behalf TPAF(Non-Budget)					
Social Security Payments				52,754	52,754
Total Revenues From Other Sources	-	-	-	87,738	87,738
Total Revenues	2,435,542	(141,891)	2,293,651	2,437,117	143,466
EXPENDITURES:					
Instruction:					
Salaries of Teachers	287,980	61,123	349,103	349,103	-
Salaries of Teachers: Grades 1-5	410,122	(95,109)	315,013	309,393	5,620
Other Salaries for Instruction	153,800	(85,661)	68,139	61,771	6,368
Purchased Prof/Tech Services	33,319	(31,946)	1,373	1,368	5
Other Purchased Services	14,133	6,750	20,883	16,501	4,382
General Supplies	87,067	(73,170)	13,897	2,943	10,954
Textbooks	35,000	(35,000)	-	-	
Miscellaneous	2,100	(900)	1,200	1,135	65
Total Instruction	1,023,521	(253,913)	769,608	742,214	27,394
Administration:					
Salaries - General Administration	174,800	51,154	225,954	170,846	55,108
Salaries of Secretarial/Clerical Assistants	35,000	24,800	59,800	42,330	17,470
Total Benefits Cost	364,073	(46,650)	317,423	204,392	113,031
Purchases Prof/Tech Services	43,195	(5,130)	38,065	37,400	665
Other Purchased Services	23,926	(13,618)	10,308	10,307	1
Supplies and Materials	40,000	(34,488)	5,512	3,511	2,001
Interest on Current Loans	-	1,162	1,162	1,162	-
Miscellaneous Expenses	12,000	(1,930)	10,070	7,606	2,464
Total Administration	692,994	(24,700)	668,294	477,554	190,740

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	2020				
	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 185,632	\$ 13,037	\$ 198,669	\$ 184,086	\$ 14,583
Salaries- Improvement of Services	51,000	16,195	67,195	47,333	19,862
Purchased Prof/Ed Services	-	-	-	-	-
Purchased Prof/Tech Services	18,200	13,936	32,136	21,357	10,779
Maintenance Services	16,740	-	16,740	14,694	2,046
Rental of Land and Buildings	338,540	86,940	425,480	417,511	7,969
Transportation-Other Than To/From School	36,720	(34,976)	1,744	1,515	229
Insurance for Property, Liability and Fidelity	20,630	(2,000)	18,630	18,630	-
Supplies and Materials	16,000	(13,971)	2,029	1,386	643
Energy Costs (Heat and Electricity)	15,000	(2,875)	12,125	12,125	-
Total Support Services	698,462	76,286	774,748	718,637	56,111
Capital Outlay:					
Instructional Equipment	42,500	(42,500)	-	-	-
Total Capital Outlay	42,500	(42,500)	-	-	-
On-Behalf TPAF (Non-Budgeted)					
Reimbursed TPAF Social Security Social Security Payments				52,754	(52,754)
Total Expenditures	2,457,477	(244,827)	2,212,650	1,991,159	221,491
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,935)	102,936	81,001	445,958	364,957
FUND BALANCE, JULY 1	(40,495)	-	(40,495)	(40,492)	3
FUND BALANCE, JUNE 30	\$ (62,430)	\$ 102,936	\$ 40,506	\$ 405,466	\$ 364,960
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance					
	\$ (62,430)	\$ 102,936	\$ 40,506	\$ 405,466	\$ 364,960
Total	\$ (62,430)	\$ 102,936	\$ 40,506	\$ 405,466	\$ 364,960

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Intermediate					
Federal	\$ 91,176	\$ 300,000	\$ 391,176	\$ 378,104	\$ (13,072)
Total Revenues	91,176	300,000	391,176	378,104	(13,072)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	36,131		36,131	36,131	
Purchased Prof/Tech Services	11,052	19,284	30,336	30,336	
Other Purchased Services	7,284	4,450	11,734	11,734	-
General Supplies	9,594	237,466	247,060	239,487	7,573
Other Objects		5,800	5,800	5,800	
Total Instruction	64,061	267,000	331,061	323,488	7,573
Support Services:					
Personal Services - Employee Benefits	12,646		12,646	12,646	
Purchased Prof/Ed Services	9,469	10,000	19,469	15,903	3,566
Travel		2,500	2,500	917	1,583
Other Purchased Services		9,000	9,000	9,000	
Supplies and Materials		11,500	11,500	11,150	350
Miscellaneous Expenditures	5,000		5,000	5,000	
Total Support Services	27,115	33,000	60,115	54,616	5,499
Total Outflows	91,176	300,000	391,176	378,104	13,072
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 Fiscal Year Ended June 30, 2020

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 2,437,117	[C-2] \$ 678,104
 Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		(300,000)
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ 2,437,117	[B-2] \$ 378,104
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 1,991,159	[C-2] \$ 678,104
 Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.		(300,000)
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 1,991,159	[B-2] \$ 378,104

OTHER SUPPLEMENTARY INFORMATION

**SECTION E – SPECIAL REVENUE FUND
DETAIL STATEMENTS**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Middlesex County Stem Charter School
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures
 Budgetary Basis
 For the Fiscal Year Ended June 30, 2020

	Title I	Title II Part A	Title IV	Charter Planning Grant	IDEA Part B	Total
Revenues:						
Federal Sources	\$ 52,263	\$ 7,660	10,000	\$ 286,928	\$ 21,253	\$ 378,104
Total Revenues	\$ 52,263	\$ 7,660	\$ 10,000	\$ 286,928	\$ 21,253	\$ 378,104
Expenditures:						
Instruction:						
Salaries of Teachers	\$ 26,131	\$ -	\$ -	\$ -	\$ 10,000	\$ 36,131
Purchased Prof/Tech Services	9,702			19,284	1,350	30,336
Other Purchased Services	7,284			4,450		11,734
General Supplies			8,000	194,176	234	202,410
Textbooks				35,717	1,360	37,077
Other Objects				5,800		5,800
Total Instruction	43,117	-	8,000	259,427	12,944	323,488
Support Services:						
Personal Services/Employee Benefits	9,146				3,500	12,646
Purchased Prof/Ed Services		2,660		6,434	4,809	13,903
Other Purchased Professional Services			2,000			2,000
Tuition and Travel				917		917
Other Purchased Services				9,000		9,000
Supplies and Materials				11,150		11,150
Miscellaneous Expenditures		5,000				5,000
Total Support Services	9,146	7,660	2,000	27,501	8,309	54,616
Total Expenditures	52,263	7,660	10,000	286,928	21,253	378,104
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – This fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND B-6.

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENT**

Fiduciary Funds are used to account for funds received by the Charter School for a specific purpose.

As of June 30, 2019, there is no non-expendable trust fund utilized by the Charter School

Agency Funds are used to account for assets held by the Charter School as an agent for individuals, private organizations, other governments and/or other funds.

Student Activity Fund – This agency fund is used to account for students funds held at the schools.

Payroll Agency Fund – This agency fund is used to account for payroll transactions of the Charter School.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2020

	Trusts		Agency			Total Agency Funds
	Unemployment Compensation Insurance	Flexible Spending Account	Payroll Agency	Payroll Account	Student Activity	
ASSETS:						
Cash and Cash Equivalents	\$ 5,109	\$ 9,768	\$ 213	\$ 677	\$ 2,959	\$ 3,849
Total Assets	<u>\$ 5,109</u>	<u>\$ 9,768</u>	<u>\$ 213</u>	<u>\$ 677</u>	<u>\$ 2,959</u>	<u>\$ 3,849</u>
LIABILITIES:						
Liabilities:						
Interfund Payable	\$ -	\$ 9,768	\$ 213	\$ 677	\$ 2,822	\$ 3,712
Accounts Payable	66		-	-	-	-
Due to Student Groups					137	137
Total Liabilities	<u>66</u>	<u>9,768</u>	<u>\$ 213</u>	<u>\$ 677</u>	<u>\$ 2,959</u>	<u>\$ 3,849</u>
NET POSITION						
Reserved for Encumbrances Held In Trust	5,043	-				-
Total Net Position	<u>5,043</u>	<u>-</u>				
Total Liabilities and Net Position	<u>\$ 5,109</u>	<u>\$ 9,768</u>				

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 Trust Funds
 For the Fiscal Year Ended June 30, 2020

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Account</u>
ADDITIONS:		
Contributions:		
Employees	<u>\$ 3,226</u>	<u>\$ 23,961</u>
Total Additions	<u>3,226</u>	<u>23,961</u>
DEDUCTIONS:		
Payments	<u>-</u>	<u>23,961</u>
Total Deductions	<u>-</u>	<u>23,961</u>
CHANGE IN NET POSITION	3,226	-
NET POSITION, JULY 1	<u>-</u>	<u>-</u>
NET POSITION (DEFICIT), JUNE 30	<u><u>\$ 3,226</u></u>	<u><u>\$ -</u></u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 June 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,039	\$ 4,792	\$ 2,872	\$ 2,959
Total Assets	<u>\$ 1,039</u>	<u>\$ 4,792</u>	<u>\$ 2,872</u>	<u>\$ 2,959</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 100	\$ 2,722	\$ -	\$ 2,822
Due to Student Activity	939	2,070	2,872	137
Total Liabilities	<u>\$ 1,039</u>	<u>\$ 4,792</u>	<u>\$ 2,872</u>	<u>\$ 2,959</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2020

	Balance July 1, 2019	Cash Receipts	Cash Disbursements	Balance June 30, 2020
ASSETS:				
Cash and Cash Equivalents	\$ 194	\$ 359,751	\$ 359,732	\$ 213
Total Assets	<u>\$ 194</u>	<u>\$ 359,751</u>	<u>\$ 359,732</u>	<u>\$ 213</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 194	\$ 359,751	\$ 359,732	\$ 213
Totals	<u>\$ 194</u>	<u>\$ 359,751</u>	<u>\$ 359,732</u>	<u>\$ 213</u>

**STATISTICAL SECTION
(UNAUDITED)**

Middlesex County Stem Charter School has been in operation for two (2) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for two (2) years is available and has been presented.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the charter school's financial performance and well being have changed over time.

Revenue Capacity (Not Applicable To Charter School)

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the charter school's current levels of outstanding debt and the charter school's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the charter school's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the charter school's financial report relates to the services the district provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2008; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Net Position by Component
 Last 2 Fiscal Years
(accrual basis of accounting)
 Unaudited

	<u>2020</u>	<u>2019</u>
Governmental Activities		
Net Investment in Capital Assets/		
Invested in capital assets, net of related debt	\$ 26,915	\$ 35,886
Unrestricted (Deficit)	<u>405,466</u>	<u>(40,492)</u>
Total Governmental Activities Net Assets/ Position	<u>\$ 432,381</u>	<u>\$ (4,606)</u>
Business-Type Activities		
Unrestricted	<u>\$ (50,141)</u>	<u>\$ (50,185)</u>
Total Business-Type Activities Net Assets/Position	<u>\$ (50,141)</u>	<u>\$ (50,185)</u>
Charter School-Wide		
Net Investment in Capital Assets/		
Invested in capital assets, net of related debt	\$ 26,915	\$ 35,886
Unrestricted	<u>355,325</u>	<u>(90,677)</u>
Total Charter School Net Position	<u>\$ 382,240</u>	<u>\$ (54,791)</u>

Source: Comprehensive Annual Financial Report

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Changes in Net Position
Last 2 Fiscal Years
(accrual basis of accounting)
Unaudited

	2020	2019
Expenses		
Governmental Activities:		
Instruction	\$ 1,224,695	\$ 498,965
Administration	294,068	335,255
Support Services	850,500	363,873
Unallocated	8,971	8,971
Total Governmental Activities Expenses	<u>2,378,234</u>	<u>1,207,064</u>
Business-Type Activities:		
Food Service	-	50,989
Total Business-Type Activities Expenses	<u>-</u>	<u>50,989</u>
Total Charter School Expenses	<u>\$ 2,378,234</u>	<u>\$ 1,258,053</u>
Program Revenues		
Governmental Activities:		
Operating Grants and Contributions	\$ 125,052	\$ 8,282
Total Governmental Activities Expenses	<u>125,052</u>	<u>8,282</u>
Business-Type Activities:		
Charges for Services	-	804
Capital Grants and Contributions	44	-
Total Business-Type Activities Expenses	<u>44</u>	<u>804</u>
Total Charter School Program Revenue	<u>\$ 125,096</u>	<u>\$ 9,086</u>
Net (Expense)/Revenue		
Governmental Activities	\$ (2,253,182)	\$ (1,198,782)
Business-Type Activities	44	(50,185)
Total Charter School Net Expense	<u>\$ (2,253,138)</u>	<u>\$ (1,248,967)</u>
General Revenues and Other Changes in Net Position		
Governmental Activities:		
Federal and State Aid Not Restricted	\$ 2,655,185	\$ 1,183,630
Miscellaneous Income	34,984	10,546
Total Governmental Activities	<u>2,690,169</u>	<u>1,194,176</u>
Total Charter School Wide	<u>\$ 2,690,169</u>	<u>\$ 1,194,176</u>
Change in Net Position		
Governmental Activities	\$ 436,987	\$ (4,606)
Business-Type Activities	44	(50,185)
Total Charter School	<u>\$ 437,031</u>	<u>\$ (54,791)</u>

Source: Comprehensive Annual Financial Report

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Fund Balances - Governmental Funds
Last 2 Fiscal Years
(modified accrual basis of accounting)
Unaudited

	<u>2020</u>	<u>2019</u>
General Fund		
Unassigned	<u>405,466</u>	<u>(40,492)</u>
Total General Fund	<u>\$ 405,466</u>	<u>\$ (40,492)</u>

Source: Comprehensive Annual Financial Report

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
 Last 2 Fiscal Years
(modified accrual basis of accounting)
 Unaudited

	<u>2020</u>	<u>2019</u>
Revenues:		
Local Sources:	\$ 514,128	\$ 208,025
State Sources	1,922,989	947,386
Federal Sources	378,104	47,047
Total Revenues	<u>2,815,221</u>	<u>1,202,458</u>
Expenditures:		
Instruction	1,065,702	498,965
Administration	530,308	335,255
Support Services	773,253	363,873
Capital Outlay		44,857
Total Expenditures	<u>2,369,263</u>	<u>1,242,950</u>
Net Change in Fund Balance	<u>\$ 445,958</u>	<u>\$ (40,492)</u>

Source: Comprehensive Annual Financial Report

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
 Last 2 Fiscal Years
(modified accrual basis of accounting)
 Unaudited

Fiscal Year Ending June 30,	Interest	Miscellaneous Revenue	Total
2020	\$ -	\$ 34,984	\$ 34,984
2019		10,546	10,546

Source: Charter School records

DEMOGRAPHIC AND ECONOMIC INFORMATION

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Demographic and Economic Statistics
Last Fiscal Year

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2020	N/A	N/A	N/A	N/A

Source: Charter School's Records

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Principal Employers
This Year and One Year Ago
(Unaudited)

Employer	2020			Employer	2019		
	Employees	Rank	Percentage of Total Employment		Employees	Rank	Percentage of Total Employment
State of New Jersey	N/A		N/A	State of New Jersey	N/A		N/A
Capital Health Systems (formerly Helene Fuld & Mercer Medical)	N/A		N/A	Capital Health Systems (formerly Helene Fuld & Mercer Medical)	N/A		N/A
Trenton School System	N/A		N/A	Trenton School System	N/A		N/A
City of Trenton	N/A		N/A	City of Trenton	N/A		N/A
County of Mercer	N/A		N/A	County of Mercer	N/A		N/A
St. Francis Medical Center	N/A		N/A	St. Francis Medical Center	N/A		N/A
The Trenton Times	N/A		N/A	The Trenton Times	N/A		N/A
The Hibbert Company	N/A		N/A	The Hibbert Company	N/A		N/A
Mercer Street Friends Center	N/A		N/A	Mercer Street Friends Center	N/A		N/A
Water's Edge Convalescent Center	N/A		N/A	Water's Edge Convalescent Center	N/A		N/A

OPERATING INFORMATION

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Full-Time Equivalent Charter School Employees by Function
Last 2 Fiscal Years

<u>Function</u>	<u>2020</u>	<u>2019</u>
Instruction	19	13
Administrative	3	1
Support Services	6	3
Food Service	-	-
Total	<u>28.00</u>	<u>17.00</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Operating Statistics
Last 2 Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment
2020	183	\$ 1,991,159	\$ 10,881	-12.09%	19	11:1	183.5	176.0	N/A
2019	93	1,151,046	12,377	0.00%	13	11:1	93.0	88.9	N/A

MIDDLESEX COUNTY STEM CHARTER SCHOOL

School Building Information

Last 2 Fiscal Years

	<u>2020</u>	<u>2019</u>
<u>Charter School Building</u>		
<u>Primary/Intermediate/Middle</u>		
Middlesex County Stem Charter School		
Square Feet	10,240	8,200
Capacity (students)	196	93
Total Enrollment	183	93

Source: Charter School Facilities Office

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Insurance Schedule

June 30, 2020

	Coverage	Deductible/Retention
School Package Policy-DIPLOMA JOINT INSURANCE FUND		
Property- Blanket Building & Contents	\$ 500,000.00	\$ 5,000.00
Flood	\$ 10,000,000.00	\$ 5,000.00
Boiler & Machinery	\$ 100,000,000.00	\$ 5,000.00
Blanket Dishonest Bond	\$ 500,000.00	\$ 5,000.00
Comprehensive General Liability		
Per Occurrence	\$ 5,000,000.00	None
Aggregate	\$ 5,000,000.00	None
Comprehensive Automobile Liability		
Auto Physical Damage	Actual Cash Value	\$ 1,000.00
Cyber Liability	\$ 2,000,000.00	\$ 10,000.00
Commercial Environmental Impairment Liability- DIPLOMA JOINT INSURANCE FUND		
Each Incident	\$ 1,000,000.00	\$ 10,000.00
Pool Aggregate	\$ 25,000,000.00	
School Leaders Professional Liability-DIPLOMA JOINT INSURANCE FUND		
Each Loss	\$ 5,000,000.00	\$ 15,000.00
Annual Aggregate	\$ 5,000,000.00	
Excess Liability- DIPLOMA JOINT INSURANCE FUND		
Excess Policy per occ/agg	\$ 15,000,000.00	None
Workers Compensation-DIPLOMA JOINT INSURANCE FUND		
Employers Liability Limit	Statutory	None
	\$ 5,000,000.00	
Public Official Bond- Western Surety (CNA)		
Business Administrator/Board Secretary- Fatih Kalayar	\$ 150,000.00	None

Source: Risk Manager

Source: Charter School's Records

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 New Jersey Performance Framework Financial Ratios
 Audited Performance Indicators
 Last Three Fiscal Years

	2018 Audit	2019 Audit	2020 Audit	Source
Cash	-	904	372,871	Audit: Exhibit A-1
Current Assets (include cash)	-	184,919	641,406	Audit: Exhibit A-1
Current Liabilities	-	275,596	286,081	Audit: Exhibit A-1
Total Expenses	-	1,258,053	2,378,234	Audit: Exhibit A-2
Change in Net Position	-	(64,791)	437,031	Audit: Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	-	93.00	183.50	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	-	93	183	March 30 Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	-	8,971	8,971	Auditor/Workpapers
Interest Expense	-	-	-	Auditor/Workpapers
Principal Payments	-	-	-	Auditor/Workpapers
Interest Payments	-	-	-	Auditor/Workpapers

	2018	2019	2020	3 YR CUM	Calculation***	Target****
Performance Indicators						
Near Term Indicators						
1a.	N/A	0.67	2.24		Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b.	N/A	0	57		Cash/(Total Expenses/365)	60 days or 30-60 days with positive trend
1c.	N/A	100%	100%	100%	Average Daily Enrollment/Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.**	NO	NO	NO		Auditor	not in default
Sustainability Indicators						
2a***	-	904	371,967	372,871	Net change in cash flow from prior years	3 yr cum positive with most recent year positive
2b	N/A	N/A	N/A		N/A or (Change in Net Position + depreciation + interest expense) / (principal + interest payments)	>1.10

* For renaissance schools: use Oct 15 count; if no final count, use head count if ADE not available
 ** Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 *** 2020 =2020 Cash -2019 Cash; 2019 =2019 Cash -2018 Cash; 2018 =2018 Cash -2017 Cash
 **** Refer to NJ Performance Framework
 NOTE: Since the school has been operating for 2 years, the average is based on 2 years.

Meets Standard
 Does Not Meet Standard
 Falls Far Below Standard

SINGLE AUDIT SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
County of Middlesex
Middlesex County Stem Charter School

Perth Amboy, NJ

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Middlesex County Stem Charter School (Charter School), in the County of Middlesex, State of New Jersey, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated January 15, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 matter that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and state awarding agencies and pass-through entities, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
January 15, 2021

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY CIRCULAR
15-08 OMB**

The Honorable President and
Members of the Board of Trustees
County of Middlesex
Middlesex County Stem Charter School
Perth Amboy, NJ

Report on Compliance for Each Major State Program

We have audited the Middlesex County Stem Charter School's (Charter School) compliance with the types of compliance requirements described in the New Jersey Circular 15-08-OMB *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2020. The Charter School's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

The Charter School's management is responsible for compliance with state statutes, regulations and the terms and conditions of state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, and State of New Jersey; New Jersey Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, New Jersey Circular 15-08-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types

of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Charter School's compliance.

Opinion on Each Major State Program

In our opinion, the Middlesex County Stem Charter School, in the County of Middlesex, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Middlesex County Stem Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.


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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance 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 on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the New Jersey Circular 15-08 OMB. Accordingly, this report is not suitable for any other purpose.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
January 15, 2021

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2020

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2019			Balance at June 30, 2020			MEMO					
			From	To	Unearned Revenue (Accounts Receivable)	Due to Grantor	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Year's Balance		(Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor	Cumulative Total Expenditures	
State Department of Education																
General Fund:																
State Aid-Public Cluster																
Education Aid-State Share	20-495-034-5120-078	\$ 1,728,756	7/1/19	6/30/20	\$ -	\$ -	\$ -	\$ 1,684,484	\$ (1,728,756)	\$ -	\$ (44,272)	\$ -	\$ -	\$ -	\$ -	\$ 1,728,756
Education Aid	19-495-034-5120-078	867,014	7/1/18	6/30/19	(47,706)	-	-	72,298	(72,298)	-	-	-	-	-	-	72,298
Special Education Categorical Aid	20-495-034-5120-089	72,298	7/1/19	6/30/20	-	-	-	69,181	(69,181)	-	-	-	-	-	-	69,181
Security Aid	20-495-034-5120-084	69,181	7/1/19	6/30/20	(47,706)	-	-	1,873,669	(1,870,235)	-	(44,272)	-	-	-	-	1,870,235
Total State Aid-Public Cluster																
Reimbursed TPAF - Social Security	20-495-034-5095-002	19,859	7/1/19	6/30/20	(19,859)	-	-	19,859	(52,754)	-	-	-	-	-	-	52,754
Reimbursed TPAF - Social Security	19-495-034-5095-002	-	7/1/18	6/30/19	(19,859)	-	-	19,859	(52,754)	-	-	-	-	-	-	52,754
Total Reimbursed TPAF-Social Security Cluster																
Total General Fund																
Total State Financial Assistance Subject to Major Program Determination for State Single Audit					\$ (67,565)	\$ -	\$ -	\$ 1,893,528	\$ (1,922,989)	\$ -	\$ (97,026)	\$ -	\$ -	\$ -	\$ -	\$ 1,922,989
Total State Financial Assistance					\$ (67,565)	\$ -	\$ -	\$ 1,893,528	\$ (1,922,989)	\$ -	\$ (97,026)	\$ -	\$ -	\$ -	\$ -	\$ 1,922,989

The accompanying Notes to Financial Statements and Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2020

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Trustees, Middlesex County Stem Charter School. The Board of Trustees is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 CFR 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-44.2*.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2020

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 1,922,989	\$ 1,922,989
Special Revenue Fund	378,104	-	378,104
Food Service Fund	-	-	-
Total Awards & Financial Assistance	<u>\$ 378,104</u>	<u>\$ 1,922,989</u>	<u>\$ 2,301,093</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Middlesex County Stem Charter School has no loan balances outstanding at **June 30, 2020**.

NOTE 6. OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the charter school for the year ended June 30, 2020. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2020.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2020

NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's basic financial statements and the amount subject to State single audit and major program determination.

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The Charter School does not have schoolwide programs.

NOTE 9. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditors Results section of the Schedule of Findings and Questioned Costs.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended **June 30, 2020**

Section I – Summary of Auditor’s Results (Continued)

Financial Statements

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

- | | | |
|---|-----------|--|
| 1) Material weakness(es) identified? | _____ Yes | __X__ No |
| 2) Significant deficiencies identified that are not considered to be material weaknesses? | _____ Yes | __X__ None Reported |

Noncompliance material to basic financial statements noted? _____ Yes __X__ No

Federal Awards

N/A

State Awards

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes __X__ No

Internal control over major programs:

- | | | |
|---|-----------|--|
| 1) Material weakness(es) identified? | _____ Yes | __X__ No |
| 2) Significant deficiencies identified that are not considered to be material weaknesses? | _____ Yes | __X__ None Reported |

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08-OMB, as applicable? _____ Yes __X__ No

Identification of major state programs:

GMIS Number(s)	Name of State Program
20-495-034-5120-078	STATE AID – PUBLIC CLUSTER
20-495-034-5120-089	Equalization Aid
20-495-034-5120-084	Special Education Aid
20-495-034-5120-084	Security Aid

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended **June 30, 2020**

Section II – Schedule of Financial Statement Findings

The section identifies the significant deficiencies, material weaknesses and fraud, non compliance with provisions of laws, regulation, contracts, and grant agreements related to financial statements for which Government Auditing Standards and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey requires.

No Current Year Findings

Part III – Schedule of State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material matters of noncompliance, including questioned costs and significant instances of abuse, related to the audit of major federal and state programs, as required by U.S Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

No Current Year Findings

CURRENT YEAR STATE AWARDS

No Current Year Findings

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared by
Management
For the Fiscal Year Ended **June 30, 2020**

STATUS OF PRIOR-YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

No Prior Year Findings