



**Office of the Washington State Auditor
Pat McCarthy**

June 12, 2023

Board of Directors
Impact Public Schools – Salish Sea Elementary
Tukwila, Washington

**Contracted CPA Firm’s Audit Report on Financial Statements and
Federal Single Audit**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the Impact Public Schools – Salish Sea Elementary for the fiscal year ended August 31, 2022. The Charter Public School contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or the Impact Public Schools – Salish Sea Elementary’s compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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August 31, 2022

Impact Public Schools

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Independent Auditor's Report

The Board of Directors
Impact Public Schools
Tukwila, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Impact Public Schools as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Impact Public Schools as of August 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Impact Public Schools, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 and Note 11 to the financial statements, Impact Public Schools has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended August 31, 2022. Accordingly, a restatement has been made to the September 1, 2021 balances of capital assets and lease obligations. There was no restatement of beginning fund balance or net position as of September 1, 2021. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Impact Public Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Impact Public Schools's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Impact Public Schools's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact | Puget Sound Elementary, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact | Salish Sea Elementary, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact | Commencement Bay Elementary, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact | Black River Elementary, the Schedule of Employer’s Share of Net Pension Liability (Asset) and the Schedule of Employer Contributions as listed in the table of contents 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management’s responses to our inquires, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Impact Public Schools’ basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023, on our consideration of Impact Public Schools’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an

opinion on the effectiveness of Impact Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Impact Public Schools internal control over financial reporting and compliance.

Eide Sallee LLP

Spokane, Washington
February 27, 2023

Overview

The following Management’s Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. Impact Public Schools’ MD&A presents an overview of its financial condition and results of operations for the fiscal years ended August 31, 2022 and 2021. The MD&A’s purpose is to aid readers in understanding the accompanying financial statements through analysis of the Impact Public Schools’ financial activities based on currently known facts and conditions. This MD&A should be read in conjunction with the accompanying financial statements and footnote disclosures.

Financial Highlights

In fiscal year 2022, net change in fund balances in the governmental funds was \$3,037,000 compared to \$3,301,000 in fiscal year 2021. Governmental fund balance as of August 31, 2022, was \$9,494,000 compared to \$6,457,000 as of August 31, 2021.

During the year ended August 31, 2022, Impact Public Schools entered into \$2,312,000 in lease obligations related to the premises of Impact | Black River Elementary.

Management believes the future outlook is bright as Impact Public Schools continues to be fully enrolled with a robust waitlist, and continues to see increased total revenues year over year. Management believes that with steady growth, Impact Public Schools will continue to empower its students with the academic skills and habits of mind necessary to become leaders who can powerfully transform our communities, all while maintaining fiscal responsibility.

Government-Wide Financial Analysis

Government-wide financial statements provide readers with a broad overview of Impact Public Schools’ finances, in a manner similar to a private-sector business.

The Statement of Net Position presents all of Impact Public Schools’ assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as Net Position. Changes in net position over time serve as a useful indicator of whether the financial position of Impact Public Schools is improving or deteriorating.

The Statement of Activities shows how Impact Public Schools’ net position changed during the current year. These statements are prepared using the accrual basis of accounting, similar to the method used by private-sector businesses. Accrual accounting considers all of the year’s revenues and expenses, regardless of when the cash is received or paid.

Change in Net Position tells the reader whether the financial position of Impact Public Schools has improved or diminished. However, in evaluating the overall position of Impact Public Schools, nonfinancial information (such as changes in Impact Public Schools’ student count) will also need to be considered.

Statement of Net Position

The following is a summary of the statement of net position as of August 31, 2022 and 2021:

	<u>2022</u>	<u>2021*</u>	<u>Change</u>
Current Assets	\$ 10,866,310	\$ 8,257,125	\$ 2,609,185
Capital and Right-Of-Use Assets	32,417,890	29,520,965	2,896,925
Net Pension Asset	357,970	1,399,331	(1,041,361)
Total Assets	<u>43,642,170</u>	<u>39,177,421</u>	<u>4,464,749</u>
Deferred Outflows of Resources	<u>2,236,195</u>	<u>894,834</u>	<u>1,341,361</u>
Current Liabilities	1,660,271	2,313,019	(652,748)
Long-Term Liabilities	31,818,481	29,725,517	2,092,964
Net Pension Liability	<u>1,648,502</u>	<u>310,448</u>	<u>1,338,054</u>
Total Liabilities	<u>35,127,254</u>	<u>32,348,984</u>	<u>2,778,270</u>
Deferred Inflows of Resources	<u>1,562,910</u>	<u>2,107,363</u>	<u>(544,453)</u>
Net Position			
Invested in capital assets	381,761	(525,298)	907,059
Restricted	6,856,092	2,960,948	3,895,144
Unrestricted	<u>1,950,348</u>	<u>3,180,258</u>	<u>(1,229,910)</u>
Total Net Position	<u>\$ 9,188,201</u>	<u>\$ 5,615,908</u>	<u>\$ 3,572,293</u>

* The 2021 column has been restated to include the implementation of GASB 87

Assets include Impact Public Schools' cash, accounts receivable, prepaid expenses, capital and right-of-use assets, and net pension asset. Total assets increased \$4,465,000 primarily due to an overall increase in capital and right-of-use assets of \$2,897,000 due to new capital leases in 2022, as well as continued construction on current capital assets. There was also an increase of current assets of \$2,609,000, primarily consisting of cash growth from strong operations. Management expects assets to increase moving forward as Impact Public Schools continues to grow.

Liabilities include payroll and related liabilities, amounts payable to vendors for goods and services, advanced revenues that have not yet met the eligibility requirement, lease obligations and long-term debt including accrued interest, and net pension liability. Total liabilities increased approximately \$2,778,000 from prior year, driven primarily by an increase in lease obligations of \$2,294,000 and net pension liability of \$1,338,000, offset by a decrease in other payables and accruals.

Deferred outflow and inflow of resources relates to pension obligations, which were the result of changes in contributions activity and updates in assumptions.

Total net position increased as a result of operations and the construction activities as discussed in the statement of activities and above.

Statement of Activities

The following is a summary of the statement of activities for the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues			
Operating grants and contributions	\$ 9,075,461	\$ 3,733,552	\$ 5,341,909
State sources	14,457,703	9,032,512	5,425,191
Other	56,630	407,334	(350,704)
Total revenues	<u>23,589,794</u>	<u>13,173,398</u>	<u>10,416,396</u>
Expenditures			
Instruction	14,432,757	7,997,443	6,435,314
Support services	4,172,453	1,203,467	2,968,986
Interest expense	1,351,663	457,045	894,618
Other	60,628	-	60,628
Total expenditures	<u>20,017,501</u>	<u>9,657,955</u>	<u>10,359,546</u>
Change in Net Position	<u>\$ 3,572,293</u>	<u>\$ 3,515,443</u>	<u>\$ 56,850</u>

Revenues include operating grants and contributions, state revenues, and other miscellaneous revenues. Operating grants consist of special purpose grants from the State, as well as the Washington State Charter School System and other private grantors, which increased in 2022 by \$5,341,909. Revenue from state sources increased \$5,425,000 over 2021 as Impact Public Schools continues its growth. Other revenues decreased \$351,000 primary due to Paycheck Protection Program income of \$340,000 in 2021.

Expenditures are separated into instructions and support services. Instruction relates to the primary teaching mission of Impact Public Schools while support services include administrative and other operating costs. Instruction expenditures increased \$6,435,000 and support services increased \$2,969,000 over 2021. The increase in headcount continues to require a strong system to support the overall needs of Impact Public Schools. Management expects overall costs to continue to grow with Impact Public Schools.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities. Like other governments, Impact Public Schools uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

All the funds of Impact Public Schools are considered governmental funds. Governmental funds account for essentially the same functions reported as Governmental Activities on the government-wide financial statements. Most of the Impact Public Schools' basic services are reported in these funds, with the focus on how money flows into and out of the funds and what year-end balances remain available for spending.

These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of Impact Public Schools' general government operations and the basic services being provided, along with the financial resources available.

The focus of Governmental funds is narrower than that of the Government-wide financial statements, so it is useful to compare the two. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances facilitate this comparison between governmental funds and governmental activities.

Fund balance in the governmental funds as of August 31, 2022, was \$9,494,000 compared to \$9,188,000 in Governmental Activities. This difference is primarily due to capital and right-of-use assets, offset by long-term liabilities including lease obligations, long-term debt, the pension asset/liability and related deferred inflow and outflows, which are not included in modified accrual accounting.

Changes in fund balances for the general fund for the year ended August 31, 2022, was \$3,037,000 compared to \$3,572,000 in Governmental Activities. This difference is primarily due to the capital asset expenditures and repayment of long-term liabilities, which are treated as expenses in the governmental funds, offset by loan proceeds, which is treated as revenues in the governmental funds.

Capital Assets

	2022	2021*	Change
Land	\$ 1,925,000	\$ 1,925,000	\$ -
Construction in Progress	960,913	2,690,412	(1,729,499)
Buildings and Improvements	9,749,571	7,122,266	2,627,305
Furniture and Equipment	652,891	-	652,891
Right-of-Use Land	1,500,000	1,500,000	-
Right-of-Use Buildings	19,108,617	16,796,439	2,312,178
Right-of-Use Copiers	38,322	38,322	-
	<u>33,935,314</u>	<u>30,072,439</u>	<u>3,862,875</u>
Less Accumulated Depreciation and Amortization	<u>(1,517,424)</u>	<u>(551,474)</u>	<u>(965,950)</u>
	<u>\$ 32,417,890</u>	<u>\$ 29,520,965</u>	<u>\$ 2,896,925</u>

* The 2021 column has been restated to include the implementation of GASB 87

As of August 31, 2022 and 2021, Impact Public Schools had approximately \$32,418,000 and \$29,521,000, respectively, invested in capital and right-of-use assets, net of accumulated depreciation and amortization. More detailed information about Impact Public Schools' capital and right-of-use assets is presented in Note 5 and Note 7 to the financial statements.

Long-Term Liabilities

Total long-term liabilities consisting of lease obligations and long-term debt as of August 31, 2022 and 2021, was \$31,818,000 and \$29,726,000, respectively. The outstanding amount at August 31, 2022 consists of lease obligations for the school locations, as well as one long-term note agreement. Additional information on Impact Public Schools' long-term liabilities can be found in Note 6 and Note 7 of this report.

Budgetary Highlights

The Board of Directors adopts the annual operating budget for Impact Public Schools effective September 1st, consistent with the upcoming school year. For 2022, Impact Public Schools submitted a budget for Impact | Puget Sound Elementary, Impact | Salish Sea Elementary, and Impact | Commencement Bay Elementary. No budget was submitted for Impact | Black River Elementary, as it was not yet open to students.

The total budget for Impact | Puget Sound Elementary for 2022 revenue was approximately \$8,740,000 of which \$8,639,000 was state and federal sources. Final revenues were \$10,579,000, with state and federal sources being \$1,831,000 above budget. Instructional expenditures were approximately \$465,000 over budget due to additional COVID funding and related expenditures, and support services were approximately \$22,000 over budget.

The total budget for Impact | Salish Sea Elementary for 2022 revenue was approximately \$4,756,000 of which \$4,282,000 was state and federal sources. Final revenues were \$5,250,000, with state and federal sources being \$948,000 above budget, and other contributions being \$458,000 under budget. Instructional expenditures were approximately \$547,000 below budget and support services were approximately \$183,000 below budget due to conservative spending in the fund, allowing for additional funds to be transferred out to support the other funds.

The total budget for Impact | Commencement Bay Elementary for 2022 revenue was approximately \$4,910,000 of which \$3,747,000 was state and federal sources. Final revenues were \$5,318,000, with state and federal sources being \$1,023,000 above budget, and other contributions being \$618,000 under budget. Instructional expenditures were approximately \$477,000 below budget and support services were approximately \$446,000 above budget due to additional support needed for the school in its first year.

No budget was issued for Impact | Black River Elementary as the fund was created mid-year and it was not open to students during the year.

Economic Outlook

Impact Public Schools is well positioned to continue successful financial and programmatic operations. A strong cash position, continued full student enrollment, growing reputation in delivering excellent education, and established management systems will enable continued success.

Impact | Puget Sound Elementary maintains strong enrollment and is entering 2023 meeting enrollment goals with an additional waitlist of families awaiting enrollment.

Impact | Salish Sea Elementary opened its doors the fall of 2020 with strong enrollment and moved into a new facility the summer of 2021. It enters 2023 fully enrolled with an additional waitlist of families awaiting enrollment.

Impact | Commencement Bay Elementary successfully launched in the fall 2021 fully enrolled. It enters 2023 fully enrolled with an additional waitlist of families awaiting enrollment.

Impact | Black River Elementary will be opening in the fall of 2023 to serve students in Renton, WA. Enrollment demand continues to be strong for the launch of the school.

Impact Public Schools
Statement of Net Position
August 31, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 10,696,659
Accounts receivable	103,601
Prepaid expenses	66,050
Capital assets, net	12,420,587
Right-of-use assets, net	19,997,303
Net pension asset	357,970
Total assets	43,642,170
Deferred Outflows of Resources	
Relating to pensions	2,236,195
Total Assets and Deferred Outflows of Resources	\$ 45,878,365
Liabilities	
Accounts payable	\$ 948,065
Accrued expenses	290,564
Advanced revenue	133,750
Accrued interest	41,516
Long-term debt, due within one year	117,393
Lease obligations, due within one year	128,983
Long-term debt	11,385,167
Lease obligations	20,433,314
Net pension liability	1,648,502
Total liabilities	35,127,254
Deferred Inflows of Resources	
Relating to pensions	1,562,910
Net Position	
Net investment in capital assets	381,761
Restricted	
Net pension asset	1,320,776
Schools	5,535,316
Unrestricted	1,950,348
Total net position	9,188,201
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 45,878,365

Impact Public Schools
Statement of Activities
Year Ended August 31, 2022

Functions / Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue Changes in Net Position
Governmental Activities			
Instruction	\$ 14,432,757	\$ 5,278,028	\$ (9,154,729)
Support services	4,172,453	3,797,433	(375,020)
Interest	1,351,663	-	(1,351,663)
Loss on disposal of capital assets	60,628	-	(60,628)
Total governmental activities	\$ 20,017,501	\$ 9,075,461	(10,942,040)
General Revenues			
State sources			14,457,703
Other revenue			56,630
Change in Net Position			3,572,293
Net Position, Beginning of Year			5,615,908
Net Position, End of Year			\$ 9,188,201

Impact Public Schools
Balance Sheet – Governmental Funds
August 31, 2022

	General Fund	Puget Sound Elementary	Salish Sea Elementary	Commencement Bay Elementary	Black River Elementary	Debt Service	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 3,666,485	\$ 3,856,527	\$ 1,567,593	\$ 1,079,315	\$ 31,149	\$ 495,590	\$ 10,696,659
Accounts receivable	-	90,977	5,031	7,593	-	-	103,601
Prepaid expenses	-	-	28,000	38,050	-	-	66,050
Due from other funds	285,899	17,770	-	8,312	1,456	-	313,437
Total assets	\$ 3,952,384	\$ 3,965,274	\$ 1,600,624	\$ 1,133,270	\$ 32,605	\$ 495,590	\$ 11,179,747
Liabilities							
Accounts payable	\$ 151,830	\$ 434,331	\$ 157,151	\$ 177,361	\$ 27,392	\$ -	\$ 948,065
Accrued expenses	16,859	62,948	42,380	45,483	122,894	-	290,564
Advanced revenue	133,750	-	-	-	-	-	133,750
Due to other funds	27,289	102,377	46,356	29,415	-	108,000	313,437
Total liabilities	329,728	599,656	245,887	252,259	150,286	108,000	1,685,816
Fund Balance							
Nonspendable	-	-	28,000	38,050	-	-	66,050
Restricted	-	3,365,618	1,326,737	842,961	-	-	5,535,316
Assigned for debt service	-	-	-	-	-	387,590	387,590
Unassigned	3,622,656	-	-	-	(117,681)	-	3,504,975
Total fund balance	3,622,656	3,365,618	1,354,737	881,011	(117,681)	387,590	9,493,931
Total liabilities and fund balance	\$ 3,952,384	\$ 3,965,274	\$ 1,600,624	\$ 1,133,270	\$ 32,605	\$ 495,590	\$ 11,179,747

Total fund balance - total governmental funds	\$ 9,493,931
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital and right-of-use assets used in governmental activities are not financial resources and therefore, are not reported in the funds. These assets consist of the following:	
Cost of capital assets	13,288,375
Accumulated depreciation	(867,788)
Right-of-use assets	20,646,939
Accumulated amortization	(649,636)
Net pension asset is a long-term asset which is not recognized on the governmental statements.	357,970
Deferred outflows of resources related to pension accruals not reported in the funds.	2,236,195
Long-term liabilities, applicable to governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of the:	
Long-term debt	(9,963,822)
Accrued interest	(41,516)
Bond Premium	(1,538,738)
Lease obligations	(20,562,297)
Net pension liability	(1,648,502)
Deferred inflows of resources related to pension accruals not reported in the funds.	<u>(1,562,910)</u>
Total net position of governmental activities	<u><u>\$ 9,188,201</u></u>

Impact Public Schools

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended August 31, 2022

	General Fund	Puget Sound Elementary	Salish Sea Elementary	Commencement Bay Elementary	Black River Elementary	Debt Service	Total Governmental Funds
Revenues							
State apportionment	\$ -	\$ 8,666,591	\$ 4,087,219	\$ 3,505,742	\$ -	\$ -	\$ 16,259,552
Federal grants and contracts	-	1,815,798	1,142,026	1,296,428	-	-	4,254,252
Contributions	2,394,140	96,484	16,073	512,663	-	-	3,019,360
Other income	575	561	4,382	2,729	1	48,382	56,630
Total revenues	2,394,715	10,579,434	5,249,700	5,317,562	1	48,382	23,589,794
Expenditures							
Instructional							
Regular education	3,003,934	4,481,349	1,575,852	1,449,042	31,562	71,693	10,613,432
Special education	-	348,987	187,736	181,045	-	-	717,768
Compensatory education	-	779,576	163,591	244,864	-	-	1,188,031
Other	-	19,036	351,178	408,111	-	-	778,325
Total instructional	3,003,934	5,628,948	2,278,357	2,283,062	31,562	71,693	13,297,556
Support Services							
Distict-wide support	682,955	328,778	609,276	804,883	2,675	-	2,428,567
School food services	-	461,428	233,982	265,271	-	-	960,681
Pupil transportation	-	163,793	102,411	188,819	-	-	455,023
Debt service payments - principle	150,000	-	-	-	-	111,679	261,679
Debt service payments - interest	-	-	-	-	-	501,239	501,239
Capital outlay	18,572	346,772	166,709	198,102	885,002	-	1,615,157
Lease payments - principle	-	5,734	-	213,290	50,000	-	269,024
Lease payments - interest	-	594	341,848	421,328	-	-	763,770
Capital outlay - leases	-	-	-	-	2,312,178	-	2,312,178
Total support services	851,527	1,307,099	1,454,226	2,091,693	3,249,855	612,918	9,567,318
Total expenditures	3,855,461	6,936,047	3,732,583	4,374,755	3,281,417	684,611	22,864,874
Other Financing Sources							
Leases	-	-	-	-	2,312,178	-	2,312,178
Transfers out	(1,051,557)	(2,055,656)	(656,161)	(444,515)	-	-	(4,207,889)
Transfers in	2,543,414	-	-	200,000	851,557	612,918	4,207,889
Net Change in Fund Balances	31,111	1,587,731	860,956	698,292	(117,681)	(23,311)	3,037,098
Fund Balances, Beginning of Year	3,591,545	1,777,887	493,781	182,719	-	410,901	6,456,833
Fund Balances, End of Year	<u>\$ 3,622,656</u>	<u>\$ 3,365,618</u>	<u>\$ 1,354,737</u>	<u>\$ 881,011</u>	<u>\$ (117,681)</u>	<u>\$ 387,590</u>	<u>\$ 9,493,931</u>

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
August 31, 2022

Net change in fund balances - total governmental funds	\$ 3,037,098
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital Outlay	1,615,157
Depreciation expense	(340,533)
Amortization expense	(629,249)
Repayment of principle and the change in accrued interest on long-term debt and lease obligations is an expenditure in the governmental funds but reduces the liability in the statement of net position.	516,514
Interest expense accrued and rolled into lease obligations.	(156,139)
Amortization of bond premium reduces expenditures in the statement of activities, but has no impact on the governmental funds	83,674
Loss on disposal of capital assets is an expense on the statement of activities, but has no impact on the governmental funds	(60,628)
Pension expense related to changes in the deferred outflows, net pension asset and liability, and deferred inflows.	<u>(493,601)</u>
Change in Net Position of Governmental Activities	<u>\$ 3,572,293</u>

Note 1 - Summary of Significant Accounting Policies

Entity and Charter

Impact Public Schools is organized as a nonprofit corporation providing public charter school educational services as authorized by Section 392 of Washington Code.

Washington Code requires charter schools to comply with the same government reporting requirements imposed on traditional public school districts, i.e. – on a governmental, rather than nonprofit, basis of accounting. Additionally, enabling legislation creates charter schools as public entities, i.e. – as public schools, subject to provisions common with other governmental entities as set forth in Washington Code. Accordingly, Impact Public Schools' basis of presentation follows the governmental, rather than nonprofit, reporting model.

Financial Reporting Entity

The accompanying financial statements present the activities of Impact Public Schools. Impact Public Schools receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, Impact Public Schools is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are volunteers and have decision-making authority, the power to designate management, the ability to significantly influence operation, and the primary accountability for fiscal matters. These financial statements present Impact Public Schools and its blended component unit.

Blended Component Unit

3400 S 148th Street, LLC was created in October 2017 to hold capital assets in support of Impact Public Schools, and is 100% owned by Impact Public Schools. 3400 S 148th Street, LLC is a component unit of Impact Public Schools, and is governed by the board of Impact Public Schools.

Basis of Presentation

Impact Public Schools follows Governmental Accounting Standards Board (GASB) in determining the reporting entity and component units. The financial reporting entity consists of the primary government and the blended component unit. Accordingly, the financial statements include all funds, and agencies of the primary government whose budgets are controlled or whose boards are appointed by Impact Public Schools' Board of Directors.

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

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of Impact Public Schools. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions.

The Statements of Activities presents a comparison between direct expenses and program revenues for each function of Impact Public Schools' governmental activities.

- Direct expenses - those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses - expenses of the general government related to the administration and support of Impact Public Schools' programs, such as personnel and accounting, are allocated to programs based on their percentage of total primary government expenses.
- 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 and state formula aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about Impact Public Schools' funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

- General Fund: This is Impact Public Schools' primary operating fund. It accounts for all financial resources of Impact Public Schools, except those required to be accounted for in another fund.
- Impact | Puget Sound Elementary (PSE) Special Revenue Fund: Records the activity related to the operations of Impact | Puget Sound Elementary, including all revenues and expenditures.
- Impact | Salish Sea Elementary (SSE) Special Revenue Fund: Records the activity related to the operations of Impact | Salish Sea Elementary, including all revenues and expenditures.
- Impact | Commencement Bay Elementary (CBE) Special Revenue Fund: Records the activity related to the operations of Impact | Commencement Bay Elementary, including all revenues and expenditures.
- Impact | Black River Elementary (BRE) Special Revenue Fund: Records the activity related to the operations of Impact | Black River Elementary, including all revenues and expenditures.
- Debt Service Fund: Accounts for assets set aside to make debt service payments.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which Impact Public Schools receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental 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. Impact Public Schools considers all revenues reported in the governmental funds to be available if they 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, and claims and judgments, 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 liabilities and acquisitions under capital leases are reported as other financing sources. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues.

Prepaid Expenses

Prepaid balances are for payments made by Impact Public Schools in the current year to provide services occurring in the subsequent year, or for supplies to be used in the subsequent year, and the reserve for these balances has been recorded to signify that a portion of the fund balance is not available for other subsequent expenditures.

Capital and Right-of-Use Assets

Capital assets are stated at cost when purchased or constructed, or if donated, at the estimated acquisition value at the date of the gift. Impact Public Schools' capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations and improvements to buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Right-of-use leased assets are recognized at the lease commencement date and represent Impact Public Schools' right to use an underlying asset for the lease term. Right-of-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right-of-use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period on the leases ranges from approximately 2-30 years.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent payroll and operating liabilities that will be paid in the next billing cycle.

Advanced Revenue

Advanced revenue represents funds collected from the state prior to any expense being incurred, and therefore prior to the revenue being recognized.

Lease Obligations

Lease obligations represent Impact Public Schools' obligation to make lease payments arising from its leases. These liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on an incremental borrowing rate determined by the School.

Pensions

For purposes of measuring the net pension liability (asset) and pension expense, information about the fiduciary net position of the various pension plans and additions to/deducted from the fiduciary net position have been determined on the same basis as they are reported by the Base Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Impact Public Schools' deferred outflows and inflows relate to the net pension asset and liability.

Revenues

Entitlements and shared revenues (which include state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier, if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria has been met.

Other receipts become measurable and available when the transaction occurs and cash is received by Impact Public Schools.

Fund Balances of Fund Financial Statements and Net Position

Fund balances of the governmental funds are classified as follows:

- Nonspendable fund balance – amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. This consists of prepaid expenses at August 31, 2022.
- Restricted fund balance – amounts that can be spent only for specific purposes because of Impact Public Schools sponsoring organization, state or federal laws or externally imposed conditions by grantors or creditors. This consists of the net pension asset and related deferred inflows and outflows of resources, as well as the fund balance of each special revenue fund at August 31, 2022.
- Committed fund balance – amounts constrained to specific purposes by Impact Public Schools itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless Impact Public Schools takes the same highest level action to remove or change the constraint. Impact Public Schools did not have any committed fund balance at August 31, 2022.
- Assigned fund balance – amounts Impact Public Schools intends to use for a specified purpose. Intent can be expressed by the Board of Directors or by a principal if the Board of Directors delegates the authority. Impact Public Schools did not have any assigned fund balance at August 31, 2022.
- Unassigned fund balance – amounts that are available for any purpose. Black River Elementary had a negative fund balance of \$117,681 at August 31, 2022.

It is Impact Public Schools intent that when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, Impact Public Schools applies restricted fund balance first. When an expenditure is incurred for purposes for which restricted, committed, assigned, and unassigned fund balances are available, Impact Public Schools applies restricted fund balance, then committed fund balance, then assigned fund balance, and then unassigned fund balances.

Net position is the difference between Impact Public Schools' total assets and deferred outflows and total liabilities and deferred inflows. Net position is subdivided into three categories: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets represents capital and right-of-use assets, less accumulated depreciation and amortization, and outstanding principal of capital asset related debt. Net position subject to restrictions by external parties is categorized as restricted. This category represents net PERS asset, and amounts restricted for activates supporting Impact | Puget Sound Elementary, Impact | Salish Sea Elementary, Impact | Commencement Bay Elementary, and Impact | Black River Elementary.

Income Taxes

Impact Public Schools is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

Use of 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 assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, Impact Public Schools may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2022. Impact Public Schools files a Form 990 in the U.S. federal jurisdiction.

Implementation of GASB Statement No. 87

As of September 1, 2021, Impact Public Schools adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires 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. The effect of the implementation of this standard is disclosed in Note 11 and the additional disclosure required by this standard is included in Notes 5 and 7.

Note 2 - Deposits and Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. As of August 31, 2022, the carrying amount of Impact Public Schools’ deposits was \$10,696,659, and the respective bank balances totaled \$10,362,353. Of the total bank balance, \$250,000 as of August 31, 2022, was covered by federal depository insurance, with the remaining \$10,112,353 covered by Washington State Deposit Protection. No cash balances as of August 31, 2022 were exposed to custodial credit risk. Impact Public Schools does not have a formal policy limiting its exposure to custodial credit risk.

Note 3 - Interfund

Interfund balance represent cash collected or disbursed on behalf of another fund. The composition of interfund due to and due from at August 31, 2022 are as follows:

		Due From						
		General	CBE	PSE	SSE	BRE	Debt Service	Total
Due To	General	\$ -	\$ 29,415	\$ 102,377	\$ 46,107	\$ -	\$ 108,000	\$ 285,899
	CBE	8,312	-	-	-	-	-	8,312
	PSE	17,521	-	-	249	-	-	17,770
	SSE	-	-	-	-	-	-	-
	BRE	1,456	-	-	-	-	-	1,456
	Debt Service	-	-	-	-	-	-	-
	Total	\$ 27,289	\$ 29,415	\$ 102,377	\$ 46,356	\$ -	\$ 108,000	\$ 313,437

Transfers between funds support various school programs in accordance with budgetary authorizations and resources for payment of debt services. Interfund transfers during the year ended August 31, 2022 were as follows:

		General	CBE	PSE	SSE	BRE	Debt Service	Total
Transferred To	General	\$ -	\$ 444,515	\$ 1,442,738	\$ 656,161	\$ -	\$ -	\$ 2,543,414
	CBE	200,000	-	-	-	-	-	200,000
	PSE	-	-	-	-	-	-	-
	SSE	-	-	-	-	-	-	-
	BRE	851,557	-	-	-	-	-	851,557
	Debt Service	-	-	612,918	-	-	-	612,918
	Total	\$ 1,051,557	\$ 444,515	\$ 2,055,656	\$ 656,161	\$ -	\$ -	\$ 4,207,889

Note 4 - Capital Assets

Capital asset activity for the year ended August 31, 2022, is as follows:

Governmental Activities	Balance August 31, 2021	Additions/ Transfers	Deletions/ Transfers	Balance August 31, 2022
Capital assets, not being depreciated				
Land	\$ 1,925,000	\$ -	\$ -	\$ 1,925,000
Construction in progress	2,690,412	960,913	(2,690,412)	960,913
Total capital assets, not being depreciated	4,615,412	960,913	(2,690,412)	2,885,913
Capital assets, being depreciated				
Buildings and improvements	7,122,266	2,690,412	(63,107)	9,749,571
Furniture and equipment	-	654,244	(1,353)	652,891
Total capital assets, being depreciated	7,122,266	3,344,656	(64,460)	10,402,462
Less accumulated depreciation	(531,087)	(340,533)	3,832	(867,788)
Total capital assets, net	<u>\$ 11,206,591</u>	<u>\$ 3,965,036</u>	<u>\$ (2,751,040)</u>	<u>\$ 12,420,587</u>

Depreciation expense totaled \$264,164 and \$76,369 charged to instruction and support services, respectively, for the year ended August 31, 2022.

Note 5 - Right-of-Use Assets

Right-of-use asset activity for the year ended August 31, 2022 is as follows:

Governmental Activities	Restated Balance August 31, 2021	Additions	Retirements	Balance August 31, 2022
Right-Of-Use Assets				
Land	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Buildings	16,796,439	2,312,178	-	19,108,617
Copiers	38,322	-	-	38,322
Total right-of-use assets	18,334,761	2,312,178	-	20,646,939
Less accumulated amortization	(20,387)	(629,249)	-	(649,636)
	<u>\$ 18,314,374</u>	<u>\$ 1,682,929</u>	<u>\$ -</u>	<u>\$ 19,997,303</u>

Amortization expense totaled \$489,052 and \$140,197 charged to instruction and support services, respectively, for the year ended August 31, 2022.

Note 6 - Long-Term Debt

Long-term debt activity for the year ended August 31, 2022 is as follows:

	Beginning Balance	Deletions	Ending Balance	Due Within One Year
CSGF Tech Loan, interest free, payable in full in November 2021, unsecured	\$ 150,000	\$ (150,000)	\$ -	\$ -
Equitable Facilities Fund loan, interest at 5.00%, matures in March 2056, secured by deed of trust	10,075,501	(111,679)	9,963,822	117,393
Equitable Facilities Fund Bond Premium	<u>1,622,412</u>	<u>(83,674)</u>	<u>1,538,738</u>	<u>-</u>
Total long-term liabilities	<u>\$ 11,847,913</u>	<u>\$ (345,353)</u>	<u>\$ 11,502,560</u>	<u>\$ 117,393</u>

Future payments of long-term debt are as follows:

<u>Years Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 117,393	\$ 495,525	\$ 612,918
2024	123,399	489,519	612,918
2025	129,712	483,206	612,918
2026	136,348	476,570	612,918
2027	143,324	469,594	612,918
2028-2032	834,409	2,230,181	3,064,590
2033-2037	1,070,846	1,993,744	3,064,590
2038-2042	1,374,279	1,690,311	3,064,590
2043-2047	1,763,693	1,300,897	3,064,590
2048-2052	2,263,451	801,139	3,064,590
2053-2057	<u>2,006,968</u>	<u>189,331</u>	<u>2,196,299</u>
Total minimum obligations	<u>\$ 9,963,822</u>	<u>\$ 10,620,017</u>	<u>\$ 20,583,839</u>

The Equitable Facilities Fund loan is subject to certain covenants including the timing of audited financial statements.

Note 7 - Lease Obligations

Impact Public Schools leases premises for Impact | Salish Sea Elementary under a long-term lease through 2053 with Washington Charter School Development (WCSD). The lease includes a purchase option that may be exercised at any point during the lease. The purchase price consists of repayments of all outstanding debt of WCSD for the property, return of 15% equity capital contributed by the Bill and Melinda Gates Foundation, and some administrative fees. Impact Public Schools anticipates exercising the purchase option in August 2024, three years into the lease. The lease is subject to covenant requirements including lease payment coverage, current ratio, debt to worth, and cash on hand. Impact Public Schools was in compliance with these covenants at August 31, 2022. Impact Public Schools guarantees certain debt of WCSD related to this property. Total guaranteed debt totaled \$9,269,985 as of August 31, 2022. WCSD is current on all required payments. Impact Public Schools uses an interest rate of 5% for this lease, which is based on Impact Public Schools' incremental borrowing rate at the inception of the lease.

Impact Public Schools leases premises for Impact | Commencement Bay Elementary under a long-term lease through 2045 with Washington Charter School Development (WCSD). WCSD owns the master lease, and subleases the property to Impact Public Schools. The lease includes a purchase option to purchase the master lease that may be exercised at any point during the first 5 years of the lease, ending in August 2026. The purchase price consists of repayments of all outstanding debt of WCSD for the property, and an additional \$75,000. Impact Public Schools anticipates exercising the purchase option on the master lease at the conclusion of the option, in August 2026. At that point, the total lease payment decrease substantially for the remainder of the lease. The lease is subject to covenant requirements including lease payment coverage, current ratio, debt to worth, and cash on hand. Impact Public Schools was in compliance with these covenants at August 31, 2022. Impact Public Schools uses an interest rate of 5% for this lease, which is based on Impact Public Schools' incremental borrowing rate at the inception of the lease.

Impact Public Schools leases premises for Impact | Black River Elementary under a long-term lease through 2052 with MBA Cascade Plaza LLC. The lease calls for no payments for the first 10 years, followed by escalating payments through the rest of the lease. Impact Public Schools uses an interest rate of 5% for this lease, which is based on Impact Public Schools' incremental borrowing rate at the inception of the lease.

Impact Public Schools has entered into various copier leases terminating at various dates through 2024. Under the terms of the leases, Impact Public Schools pays a total monthly base fee of approximately \$1,300. Impact Public Schools also pays a monthly maintenance cost, based on the number of copies run through the machines each month. This expenditure is treated as an ordinary monthly operating cost. Impact Public Schools uses an interest rate of 3.5% for these leases, which is based on Impact Public Schools' incremental borrowing rate at the inception of the lease.

Lease obligation activity for the year ended August 31, 2022 is as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Building Leases	\$ 18,310,028	\$ 2,468,317	\$ (240,176)	\$ 20,538,169	\$ 115,954
Copier Leases	38,322	-	(14,194)	24,128	13,029
Total capital lease liabilities	<u>\$ 18,348,350</u>	<u>\$ 2,468,317</u>	<u>\$ (254,370)</u>	<u>\$ 20,562,297</u>	<u>\$ 128,983</u>

Future payments on lease obligations are as follows:

<u>Years Ended August 31,</u>	<u>Total</u>
2023	\$ 854,675
2024	10,909,035
2025	671,671
2026	2,687,505
2027	367,223
2028-2032	1,949,263
2033-2037	3,429,631
2038-2042	3,832,096
2043-2047	3,101,218
2048-2052	<u>1,797,166</u>
Total minimum lease payments	29,599,483
Less amount representing interest	<u>(9,037,186)</u>
Obligations under capital lease	<u>\$ 20,562,297</u>

Note 8 - Pension Plans

General Information

The Legislature has established various pension plans for employees in Washington State. These plans include:

- Public Employees' Retirement System (PERS) – established in chapters 41.34 and 41.40 RCW
- School Employee's Retirement System (SERS) – established in chapters 41.34 and 41.35 RCW
- Teachers' Retirement System (TRS) – established in chapters 41.32 and 41.34 RCW

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans are June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of pension plans administered by DRS and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the plans.

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at <http://www.drs.wa.gov/administration/annualreport/default.htm>.

Administration

Substantially all Impact Public Schools' full-time and qualifying part-time employees participate in TRS or SERS, which are contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State DRS. While Impact Public Schools does not have any members who participate in PERS, Impact Public Schools is allocated a proportionate share of liability or asset for the plans as required by the Legislature.

PERS

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Impact Public Schools does not have any members or share of liability in plans 2/3 and 3.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are calculated as 2% times the member's Average Final Compensation (AFC) times the member's years of service. AFC is the average of the member's 24 consecutive highest-paid service credit months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service or at age 60 with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status before the age of 65 may also receive actuarially reduced benefits. Other benefits include duty and nonduty disability payments, an optional Cost-of-Living Adjustment (COLA), and a duty-related death benefit, if the Washington State Department of Labor & Industries determines the member eligible.

SERS

SERS is composed of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan, and SERS Plan 3 is a defined benefit plan with a defined contribution component.

Although employees can be a member of only Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

SERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated as 2% times the member's AFC times the member's years of service for Plan 2. Retirement benefits for Plan 3 are calculated using 1% times the member's AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months.

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65. SERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen.

Other SERS Plan 2/3 benefits include duty and nonduty disability payments; a COLA based on the Consumer Price Index, capped at 3% annually; and a duty-related death benefit, if the Washington State Department of Labor & Industries determines the member eligible.

TRS

TRS is composed of three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can be a member of only Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as the terms of the plans define. Therefore, Plan 2/3 is considered a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability and death benefits. Retirement benefits are calculated using 2% of the member's AFC times the member's years of service up to a maximum of 60%. AFC is the average of the member's 24 consecutive highest-paid service credit months.

Members are eligible for retirement at any age after 30 years of service, at age 60 with five years of service or at age 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional COLA, and a one-time, duty-related death benefit, if the Washington State Department of Labor & Industries finds the member eligible.

Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS, respectively.

Employee contribution rates, expressed as a percentage of payroll covered for 2022 were as follows:

Plan	Rate
PERS 1	6.00%
TRS 1	6.00%
TRS 2	8.05%
TRS 3	N/A
SERS 2	7.76%
SERS 3	N/A

Employer contribution rates, expressed as a percentage of payroll covered for 2022 were as follows:

Plan	Rate
PERS 1	10.25%
SERS 2/3	11.65%
TRS 1	14.42%
TRS 2/3	14.42%

Note: The DRS administrative rate of 0.18% is included.

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars:

Plan	Contributions
PERS 1	\$ 96,103
SERS 2/3	210,088
TRS 1	327,103
TRS 2/3	445,530

Collective Net Pension Liability

The collective net pension liabilities (assets) for the pension plans Impact Public Schools participated in are reported in the following tables. Net Pension Liability (Asset) as of June 30, 2022:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total pension liability	\$ 11,877,621,000	\$ 8,478,821,000	\$ 8,739,146,000	\$ 22,946,845,000
Plan fiduciary net position	(9,093,254,000)	(8,747,471,000)	(6,837,316,000)	(23,143,631,000)
Participating employers' net pension liability	2,784,367,000	(268,650,000)	1,901,830,000	(196,786,000)
Plan fiduciary net position as a percentage of the total pension liability	76.56%	103.17%	78.24%	100.86%

Impact Public Schools' Proportionate Share of the Net Pension Liability (NPL) and Net Pension Asset (NPA)

At August 31, 2022, Impact Public Schools reported a net liability of \$1,648,502 and a net asset of \$357,970 for its proportionate shares of the individual plans' collective net pension amounts. Impact Public Schools' proportionate share of the collective net pension liability (asset) is based on annual contributions for each of the employers participating in the DRS administered plans.

At August 31, 2022, Impact Public Schools' proportionate share of each plan's net pension liability (asset) is reported below:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Proportionate share of Net Pension Liability (Asset)	0.015666%	0.086047%	0.063744%	0.064438%
	\$ 436,199	\$ (231,165)	\$ 1,212,303	\$ (126,805)

At August 31, 2021, Impact Public Schools' proportionate share of each plan's net pension liability (asset) is reported below:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Proportionate share of Net Pension Liability (Asset)	0.008660%	0.052129%	0.030401%	0.030545%
	\$ 105,759	\$ (559,708)	\$ 204,689	\$ (839,623)

Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class are provided by the Washington State Investment Board. The Office of the State Actuary relied on the CMAs in the selection of the long-term expected rate of return for reporting purposes.

The total pension liabilities (assets) for PERS 1, SERS 2/3, TRS 1, and TRS 2/3 were determined by actuarial valuation as of June 30, 2021, with the results rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.00%

Mortality Rates

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status (active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2021 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs.

The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The Office of the State Actuary (OSA) selected a 7.00% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns the WSIB provided. See the 2021 Report on Financial Condition and Economic Experience Study on the OSA website for additional Notes to the Financial Statements information on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2022 and 2021, respectively, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%

The inflation component used to create the above table is 2.20% and represents Washington State Investment Board's (WSIB) most recent long-term estimate of broad economic inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in our Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00% on pension plan investments was applied to determine the total pension liability.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2022, Impact Public Schools reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 72,291
	\$ -	\$ 72,291

<u>SERS 2/3</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experiences	\$ 191,130	\$ -
Net difference between projected and actual earnings on pension plan investments	-	341,180
Changes in assumptions or other inputs	261,400	18,843
Changes in proportion and differences between contributions and proportionate share of contributions	89,404	29,533
Contributions subsequent to the measurement date	60,147	-
	<u>\$ 602,081</u>	<u>\$ 389,556</u>
<u>TRS 1</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 217,230
	<u>\$ -</u>	<u>\$ 217,230</u>
<u>TRS 2/3</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experiences	\$ 631,819	\$ 12,743
Net difference between projected and actual earnings on pension plan investments	-	670,679
Changes in assumptions or other inputs	714,369	77,695
Changes in proportion and differences between contributions and proportionate share of contributions	141,794	122,716
Contributions subsequent to the measurement date	146,132	-
	<u>\$ 1,634,114</u>	<u>\$ 883,833</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense (benefit) as follows:

<u>Years Ended August 31,</u>	<u>PERS 1</u>	<u>SERS 2/3</u>	<u>TRS 1</u>	<u>TRS 2/3</u>
2023	\$ (30,592)	\$ (25,299)	\$ (92,101)	\$ (125,384)
2023	(27,785)	(10,783)	(83,737)	(97,121)
2023	(34,856)	(57,544)	(105,316)	(156,463)
2023	20,942	191,346	63,924	379,268
2023	-	49,829	-	160,269
Thereafter	-	4,829	-	443,580

Pension Expense

Impact Public Schools recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using Impact Public Schools' proportionate share of the collective net pension liability. For the year ending August 31, 2022, Impact Public Schools recognized a total pension expense (benefit) as follows:

PERS 1	\$ 285,374
SERS 2/3	(230,691)
TRS 1	917,975
TRS 2/3	<u>(479,057)</u>
Total	<u><u>\$ 493,601</u></u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The table below presents Impact Public Schools' proportionate share of the net pension liability (asset) as of August 31, 2022, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate. Amounts are calculated by plan using Impact Public Schools' allocation percentage.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
PERS 1 Net Pension Liability	\$ 582,756	\$ 436,199	\$ 308,289
SERS 2/3 Net Pension Liability (Asset)	\$ 799,525	\$ (231,165)	\$ (1,080,687)
TRS 1 Net Pension Liability	\$ 1,646,156	\$ 1,212,303	\$ 833,059
TRS 2/3 Net Pension Liability (Asset)	\$ 2,297,298	\$ (126,805)	\$ (2,097,565)

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 2022 annual comprehensive financial report (ACFR). Refer to this report for detailed trend information. It is available at <http://www.drs.wa.gov/administration/annual-report/> or from State of Washington Office of Financial Management, 300 Insurance Building, PO Box 43113, Olympia, WA 98504-3113.

Note 9 - Concentrations

Impact Public Schools' principal source of support is state based support revenue. For the year ended August 31, 2022, this funding source accounted for approximately 86.8% of all revenues, which includes federal funds passed through the state.

Note 10 - Risk Management

Impact Public Schools, in the normal course of its activities, may be involved in various claims and pending litigation. In the opinion of management and legal counsel, the disposition of these matters is not expected to have a material adverse effect on Impact Public Schools' financial statements.

Note 11 - Adoption of New Standard

As of September 1, 2021, Impact Public Schools adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-of-use of an underlying asset. The Statement requires 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. As a result of implementing this standard, the School recognized lease obligations and right-of-use assets of \$38,322 as of September 1, 2021. Additionally, the School reclassified \$16,796,439 from buildings and \$1,500,000 from land into right-of-use assets, and \$20,387 from accumulated depreciation into accumulated amortization as of September 1, 2021. As a result of these adjustments there was no effect on beginning fund balance or net position. The additional disclosure required by this standard is included in Note 5 – Right-of-Use Assets and Note 7 – Lease Obligations.



Required Supplementary Information
August 31, 2022

Impact Public Schools

Impact Public Schools

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund Year Ended August 31, 2022

	Budget Original and Final	Actual	Variance
Revenues			
State apportionment	\$ -	\$ -	\$ -
Federal grants and contracts	-	-	-
Contributions	4,518,570	2,394,140	(2,124,430)
Other income	-	575	575
Total revenues	4,518,570	2,394,715	(2,123,855)
Expenditures			
Instructional			
Regular education	3,083,922	3,003,934	79,988
Special education	-	-	-
Compensatory education	-	-	-
Other	-	-	-
Total instructional	3,083,922	3,003,934	79,988
Support Services			
District-wide support	1,027,974	682,955	345,019
School food services	-	-	-
Pupil transportation	-	-	-
Debt service payments	-	150,000	(150,000)
Capital outlay	-	18,572	(18,572)
Total support services	1,027,974	851,527	176,447
Total expenditures	4,111,896	3,855,461	256,435
Other Financing Sources			
Transfers out	(2,417,000)	(1,051,557)	(1,365,443)
Transfers in	2,029,911	2,543,414	(513,503)
Net Change in Fund Balances	\$ 19,585	\$ 31,111	\$ 11,526

Impact Public Schools
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact |
Puget Sound Elementary
Year Ended August 31, 2022

	Budget Original and Final	Actual	Variance
Revenues			
State apportionment	\$ 7,291,627	\$ 8,666,591	\$ 1,374,964
Federal grants and contracts	1,347,089	1,815,798	468,709
Contributions	100,901	96,484	(4,417)
Other income	-	561	561
	<u>8,739,617</u>	<u>10,579,434</u>	<u>1,839,817</u>
Expenditures			
Instructional			
Regular education	2,994,391	4,481,349	(1,486,958)
Special education	711,241	348,987	362,254
Compensatory education	736,353	779,576	(43,223)
Other	721,582	19,036	702,546
	<u>5,163,567</u>	<u>5,628,948</u>	<u>(465,381)</u>
Support Services			
District-wide support	205,099	335,106	(130,007)
School food services	420,487	461,428	(40,941)
Pupil transportation	404,116	163,793	240,323
Capital outlay	255,000	346,772	(91,772)
	<u>1,284,702</u>	<u>1,307,099</u>	<u>(22,397)</u>
	<u>6,448,269</u>	<u>6,936,047</u>	<u>(487,778)</u>
Other Financing Sources			
Transfers out	(2,074,225)	(2,055,656)	(18,569)
Transfers in	-	-	-
	<u>217,123</u>	<u>1,587,731</u>	<u>1,370,608</u>
Net Change in Fund Balances	<u>\$ 217,123</u>	<u>\$ 1,587,731</u>	<u>\$ 1,370,608</u>

Impact Public Schools

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact |
 Salish Sea Elementary
 Year Ended August 31, 2022

	Budget Original and Final	Actual	Variance
Revenues			
State apportionment	\$ 3,232,020	\$ 4,087,219	\$ 855,199
Federal grants and contracts	1,049,508	1,142,026	92,518
Contributions	474,027	16,073	(457,954)
Other income	-	4,382	4,382
	<u>4,755,555</u>	<u>5,249,700</u>	<u>494,145</u>
Expenditures			
Instructional			
Regular education	1,677,285	1,575,852	101,433
Special education	58,674	187,736	(129,062)
Compensatory education	158,307	163,591	(5,284)
Other	931,272	351,178	580,094
	<u>2,825,538</u>	<u>2,278,357</u>	<u>547,181</u>
Support Services			
District-wide support	1,224,147	951,124	273,023
School food services	210,368	233,982	(23,614)
Pupil transportation	203,005	102,411	100,594
Capital outlay	-	166,709	(166,709)
	<u>1,637,520</u>	<u>1,454,226</u>	<u>183,294</u>
	<u>4,463,058</u>	<u>3,732,583</u>	<u>730,475</u>
Other Financing Sources			
Transfers out	-	(656,161)	656,161
Transfers in	-	-	-
	<u>292,497</u>	<u>860,956</u>	<u>568,459</u>
Net Change in Fund Balances	<u>\$ 292,497</u>	<u>\$ 860,956</u>	<u>\$ 568,459</u>

Impact Public Schools
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact |
Commencement Bay Elementary
Year Ended August 31, 2022

	Budget Original and Final	Actual	Variance
Revenues			
State apportionment	\$ 3,161,097	\$ 3,505,742	\$ 344,645
Federal grants and contracts	585,822	1,296,428	710,606
Contributions	1,162,922	512,663	(650,259)
Other income	-	2,729	2,729
	<u>4,909,841</u>	<u>5,317,562</u>	<u>407,721</u>
Expenditures			
Instructional			
Regular education	2,083,115	1,449,042	634,073
Special education	39,344	181,045	(141,701)
Compensatory education	180,128	244,864	(64,736)
Other	457,895	408,111	49,784
	<u>2,760,482</u>	<u>2,283,062</u>	<u>477,420</u>
Support Services			
District-wide support	1,286,955	1,439,501	(152,546)
School food services	167,409	265,271	(97,862)
Pupil transportation	191,434	188,819	2,615
Capital outlay	-	198,102	(198,102)
	<u>1,645,798</u>	<u>2,091,693</u>	<u>(445,895)</u>
	<u>4,406,280</u>	<u>4,374,755</u>	<u>31,525</u>
Other Financing Sources			
Transfers out	-	(444,515)	444,515
Transfers in	-	200,000	(200,000)
	<u>503,561</u>	<u>698,292</u>	<u>194,731</u>
Net Change in Fund Balances	<u>\$ 503,561</u>	<u>\$ 698,292</u>	<u>\$ 194,731</u>

Impact Public Schools
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact |
Black River Elementary
Year Ended August 31, 2022

	Budget Original and Final	Actual	Variance
Revenues			
State apportionment	\$ -	\$ -	\$ -
Federal grants and contracts	-	-	-
Contributions	-	-	-
Other income	-	1	1
	<u>-</u>	<u>1</u>	<u>1</u>
Total revenues	<u>-</u>	<u>1</u>	<u>1</u>
Expenditures			
Instructional			
Regular education	-	31,562	(31,562)
Special education	-	-	-
Compensatory education	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total instructional	<u>-</u>	<u>31,562</u>	<u>(31,562)</u>
Support Services			
District-wide support	-	52,675	(52,675)
School food services	-	-	-
Pupil transportation	-	-	-
Capital outlay	-	885,002	(885,002)
Capital outlay - capital leases	-	2,312,178	(2,312,178)
	<u>-</u>	<u>2,312,178</u>	<u>(2,312,178)</u>
Total support services	<u>-</u>	<u>3,249,855</u>	<u>(3,249,855)</u>
Total expenditures	<u>-</u>	<u>3,281,417</u>	<u>(3,281,417)</u>
Other Financing Sources			
Capital leases	-	2,312,178	(2,312,178)
Transfers out	-	-	-
Transfers in	-	851,557	(851,557)
	<u>-</u>	<u>851,557</u>	<u>(851,557)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (117,681)</u>	<u>\$ (117,681)</u>

Impact Public Schools
Schedule of Employer's Share of Net Pension Liability
Year Ended August 31, 2022

Schedule of Employer's Share of Net Pension Liability

	2022	2021	2020	2019
PERS 1				
Employer's proportionate share of the net pension liability	0.0156660%	0.0086600%	0.0052010%	0.0018990%
Employer's proportion share of the net pension liability	\$ 436,199	\$ 105,759	\$ 183,623	\$ 73,019
Employer's covered payroll	\$ 2,604,214	\$ 1,494,521	\$ 781,105	\$ 265,953
Employer's proportional share of the net pension liability as a percentage of its covered payroll	16.7%	7.1%	23.5%	27.5%
Plan fiduciary net position as a percentage of the total pension liability	76.6%	88.7%	68.6%	67.1%
SERS 2/3				
Employer's proportionate share of the net pension liability	0.0860470%	0.0521290%	0.0298130%	0.0109880%
Employer's proportion share of the net pension liability (asset)	\$ (231,165)	\$ (559,708)	\$ 158,594	\$ 25,767
Employer's covered payroll	\$ 2,604,214	\$ 1,494,521	\$ 781,105	\$ 265,953
Employer's proportional share of the net pension liability as a percentage of its covered payroll	-8.9%	-37.5%	20.3%	9.7%
Plan fiduciary net position as a percentage of the total pension liability	103.2%	114.2%	92.5%	96.3%
TRS 1				
Employer's proportionate share of the net pension liability	0.0637440%	0.0304010%	0.0159790%	0.0117000%
Employer's proportion share of the net pension liability	\$ 1,212,303	\$ 204,689	\$ 384,900	\$ 289,675
Employer's covered payroll	\$ 5,487,458	\$ 2,129,431	\$ 1,163,457	\$ 788,454
Employer's proportional share of the net pension liability as a percentage of its covered payroll	22.1%	9.6%	33.1%	36.7%
Plan fiduciary net position as a percentage of the total pension liability	78.2%	91.4%	70.6%	70.4%
TRS 2/3				
Employer's proportionate share of the net pension liability	0.0644380%	0.0305450%	0.0162020%	0.0181100%
Employer's proportion share of the net pension liability (asset)	\$ (126,805)	\$ (839,623)	\$ 248,860	\$ 71,167
Employer's covered payroll	\$ 5,487,458	\$ 2,129,431	\$ 1,163,457	\$ 788,454
Employer's proportional share of the net pension liability as a percentage of its covered payroll	-2.3%	-39.4%	21.4%	9.0%
Plan fiduciary net position as a percentage of the total pension liability	100.9%	113.7%	91.7%	96.4%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Impact Public Schools will present information for those use for which information is available.

Data reported is measured as of June 30 (measurement date).

Impact Public Schools
Schedule of Employer Contributions
Year Ended August 31, 2022

Schedule of Employer's Contributions

	2022	2021	2020	2019
PERS 1				
Statutorily required contribution	\$ 96,103	\$ 64,506	\$ 37,696	\$ 13,616
Contributions in relation to the statutorily required contribution	\$ 96,103	\$ 64,506	\$ 37,696	\$ 13,616
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,799,837	\$ 1,618,191	\$ 781,105	\$ 265,953
Contributions as a percentage of the covered payroll	3.4%	4.0%	4.8%	5.1%
SERS 2/3				
Statutorily required contribution	\$ 210,088	\$ 136,163	\$ 64,469	\$ 21,994
Contributions in relation to the statutorily required contribution	\$ 210,088	\$ 136,163	\$ 64,469	\$ 21,994
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,799,837	\$ 1,618,191	\$ 781,105	\$ 265,953
Contributions as a percentage of the covered payroll	7.5%	8.4%	8.3%	8.3%
TRS 1				
Statutorily required contribution	\$ 327,103	\$ 167,090	\$ 83,915	\$ 58,107
Contributions in relation to the statutorily required contribution	\$ 327,103	\$ 167,090	\$ 83,915	\$ 58,107
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 5,785,601	\$ 2,549,250	\$ 1,163,457	\$ 788,454
Contributions as a percentage of the covered payroll	5.7%	6.6%	7.2%	7.4%
TRS 2/3				
Statutorily required contribution	\$ 445,530	\$ 275,392	\$ 94,270	\$ 61,736
Contributions in relation to the statutorily required contribution	\$ 445,530	\$ 275,392	\$ 94,270	\$ 61,736
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 5,785,601	\$ 2,549,250	\$ 1,163,457	\$ 788,454
Contributions as a percentage of the covered payroll	7.7%	10.8%	8.1%	7.8%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Impact Public Schools will present information for those use for which information is available.

Data reported is measured as of August 31 (report date).

Pension Plans

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. The actuarial methods and significant assumptions used in these valuations are available in the publicly available actuary reports for the three pension plans.

The Participating Employer Financial Information (PEFI) can be found at:

<https://www.drs.wa.gov/administration/annual-report/>

The Annual Comprehensive Financial Report (ACFR) can be found at:

<https://www.drs.wa.gov/administration/annual-report/>

The Actuarial Valuation can be found at:

<https://leg.wa.gov/osa/pensionfunding/Pages/valuations.aspx>

Basis of Budgetary Accounting

Impact Public Schools' legal budget is prepared on the modified accrual basis of accounting. The Budget and Actual schedules are prepared on the budgetary basis which agrees to Generally Accepted Accounting Principles (GAAP).



Single Audit Section
August 31, 2022

Impact Public Schools



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Impact Public Schools
Tukwila, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Impact Public Schools as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Impact Public Schools’ basic financial statements and have issued our report thereon dated February 27, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Impact Public Schools’ internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Impact Public Schools’ internal control. Accordingly, we do not express an opinion on the effectiveness of Impact Public Schools’ 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Impact Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Spokane, Washington
February 27, 2023



Independent Auditor’s Report on Compliance for the Major Federal Programs; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Impact Public Schools
Tukwila, Washington

Report on Compliance for the Major Federal Programs

Opinion on The Major Federal Programs

We have audited Impact Public Schools’ compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Impact Public Schools’ major federal programs for the year ended August 31, 2022. Impact Public Schools’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Impact Public Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Impact Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Impact Public Schools’ compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Impact Public Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Impact Public Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Impact Public Schools' compliance with the requirements of the major federal programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Impact Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Impact Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Impact Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 federal 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 federal 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Spokane, Washington
February 27, 2023

Impact Public Schools
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
<u>Pass-Through Programs</u>			
Washington Office of Superintendent of Public Instruction			
Title I Grants to Local Educational Agencies	84.010	0203924	\$ 323,200
English Language Acquisition State Grants	84.365	0403178	28,384
Supporting Effective Instruction State Grants	84.367	0525296, 0431087	52,484
Special Education Grants to States	84.027	0307532	159,624
Washington State Charter Schools Program Grant	84.282	None	742,000
Education Stabilization Fund			
COVID-19 Elementary & Secondary Emergency Relief Fund	84.425D	138043	556,840
COVID-19 - American Rescue Plan – Elementary and Secondary School Emergency Relief	84.425U	0712117	1,446,990
COVID-19 School Emergency Relief - Homeless Children and Youth	84.425W	None	<u>2,861</u>
Total Education Stabilization Fund			<u>2,006,691</u>
Total U.S. Department of Education			<u>3,312,383</u>
U.S. Department of Agriculture			
<u>Pass-Through Programs</u>			
Washington Office of Superintendent of Public Instruction			
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559	None	2,999
National School Lunch Program	10.555	None	<u>896,683</u>
Total Child Nutrition Cluster			<u>899,682</u>
PEBT Administrative Funds	10.649	None	<u>614</u>
Total U.S. Department of Agriculture			<u>900,296</u>
Department of Homeland Security			
<u>Direct Programs</u>			
Disaster Grants-Public Assistance	97.036		<u>16,191</u>
Total Department of Homeland Security			<u>16,191</u>
Federal Communications Commissions			
<u>Direct Programs</u>			
COVID-19 Emergency Connectivity Fund Program	32.009		<u>131,843</u>
Total Federal Communications Commissions			<u>131,843</u>
Total federal financial assistance			<u>\$ 4,360,713</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Impact Public Schools under programs of the federal government for the year ended August 31, 2022. The information is presented in accordance with 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). Because the schedule presents only a selected portion of the operations of the Impact Public Schools, it is not intended to and does not present the financial position, changes in net position, or fund balance of Impact Public Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

Impact Public Schools has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
Education Stabilization Fund	
COVID-19 Elementary & Secondary Emergency Relief Fund	84.425D
COVID-19 American Rescue Plan – Elementary and Secondary School Emergency Relief	84.425U
COVID-19 School Emergency Relief - Homeless Children and Youth	84.425W
Child Nutrition Cluster	10.555
Dollar threshold used to distinguish between type A and type B programs:	\$750,000

Section II – Findings – Financial Statement Audit

There were no findings relating to the financial statement audit.

Section III -Findings and Questioned Costs – Major Federal Award Programs Audit

No findings noted.