Office of the Washington State Auditor
Pat McCarthy

June 12, 2023

Board of Directors
Catalyst: Bremerton
Bremerton, 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 Catalyst: Bremerton 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 Catalyst: Bremerton'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

Americans with Disabilities

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August 31, 2022

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Catalyst Public Schools
Bremerton, 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 Catalyst Public Schools as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Catalyst Public Schools' 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 Catalyst 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 Catalyst 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.

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 Catalyst 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 Catalyst Public Schools' 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 Catalyst Public Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund, 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 Catalyst 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 GAAS. In our opinion, the 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 March 23, 2023, on our consideration of Catalyst 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 Catalyst 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 Catalyst Public Schools internal control over financial reporting and compliance.

Eide Bailly LLP

Spokane, Washington
March 23, 2023

Overview

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. Catalyst Public Schools (the School) MD&A presents an overview of its financial condition and results of operations for the fiscal year ended August 31, 2022. The MD&A's purpose is to aid readers in understanding the accompanying financial statements through analysis of the School's 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 general fund was approximately ($823,000) compared to $807,000 in fiscal year 2021. General fund balance as of August 31, 2022 was $631,000 compared to $1,454,000 as of August 31, 2021.

Management is encouraged by the growing enrollment of the School. Enrollment growth and budget monitoring will be continued areas of emphasis in the coming years. Steady enrollment growth will allow the school to continue to serve and empower its students.

Government-Wide Financial Analysis

Government-wide financial statements provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents all of the School's 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 the School is improving or deteriorating.

The Statement of Activities shows how the School's 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 the School has improved or diminished. However, in evaluating the overall position of the School, nonfinancial information (such as changes in the School's 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:

	2022	2021
Current Assets	$ 1,512,137	$ 1,663,685
Capital Assets	8,178,951	4,447,580
Net Pension Asset	99,288	416,248
Total Assets	9,790,376	6,527,513
Deferred Outflows of Resources	614,265	244,970
Current Liabilities	1,067,282	409,465
Long-Term Liabilities	7,097,426	4,337,197
Net Pension Liability	449,342	95,364
Total Liabilities	8,614,050	4,842,026
Deferred Inflows of Resources	420,555	637,375
Net Position		
Net investment in capital assets	898,772	110,383
Restricted - net pension asset	371,855	157,858
Unrestricted	99,409	1,024,841
Total Net Position	$ 1,370,036	$ 1,293,082

Assets include the School's cash, accounts receivable, prepaid expenses and other assets, capital assets, and net pension asset. Total assets increased $3,263,000 primarily due to an overall increase in capital assets due to purchase or property and construction during the year. Management expects assets to continue to increase moving forward as the School continues to grow.

Liabilities include amounts payable to vendors for goods and services, advanced revenues, long-term debt, and net pension liability. Total liabilities increased approximately $3,772,000 from prior year, driven primarily by an increase in long-term debt to fund capital asset construction.

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 as discussed in the statement of activities.

Statement of Activities

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

	2022	2021
Revenues		
Operating grants and contributions	$ 1,387,994	$ 1,554,911
State sources	4,034,089	2,021,978
Paycheck Protection Program (PPP) income	-	203,809
Other	8,939	11,566
Total revenues	5,431,022	3,792,264
Expenditures		
Instruction	3,369,685	1,510,107
Support services	1,713,555	1,818,093
Interest expense	270,828	180,536
Total expenditures	5,354,068	3,508,736
Change in Net Position	$ 76,954	$ 283,528

Revenues include operating grants and contributions, state and federal revenues, and other miscellaneous revenues. Operating grants consist primarily of grants from the Washington State Charter School Association and other private grantors, with an overall decrease in the amount of grants in 2022 of $167,000. Revenue from state sources increased $2,012,000 over 2021 as headcount continues to rise. Additionally, the School received a $204,000 forgivable loan from the Paycheck Protection Program in 2021, which was fully forgiven during 2021.

Expenditures are separated into instructions and support services. Instruction relates to the primary teaching mission of the School while support services include administrative and other operating costs. Instruction expenditures increased $1,860,000 and support services decreased $105,000 over 2021. Additionally, interest expense increased $90,000 over 2021. The increase in headcount continues to require a strong system to support the overall needs of the School. Management expects overall costs to level off in future periods.

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, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

All the funds of the School 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 School's 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 the School's 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 general fund as of August 31, 2022 was $631,000, compared to $1,370,000 in Governmental Activities. This difference is due to capital assets, net pension amounts and related deferred inflow and outflows, and long-term debt, which are not included in modified accrual accounting.

Changes in fund balances for the general fund for the year ended August 31, 2022 was ($823,000) compared to $77,000 in Governmental Activities. This difference is due to the pension activity, capital assets, and long-term debt activity.

Capital Assets

	2022	2021	Change
Construction in Progress	$ -	$ 18,678	$ (18,678)
Buildings	8,067,973	4,441,456	3,626,517
Land	148,090	-	148,090
Computers and Equipment	406,869	206,762	200,107
	8,622,932	4,666,896	3,956,036
Less Accumulated Depreciation	(443,981)	(219,316)	(224,665)
Net Capital Assets	$ 8,178,951	$ 4,447,580	$ 3,731,371

As of August 31, 2022 and 2021, the School had approximately $8,179,000 and $4,448,000, respectively, invested in capital assets, the primary balance which is made up of buildings, net of accumulated depreciation. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

Total long-term debt as of August 31, 2022 and 2021, was $7,280,000 and $4,486,000, respectively. The outstanding debt at August 31, 2022 consists primarily of notes to finance purchase and construction of the School's primary premises. More detailed information about the School's long-term debt is presented in Note 4 to the financial statements.

Budgetary Highlights

The Board of Directors adopts the annual operating budget for the Organization effective September 1st, consistent with the upcoming school year. The total budgeted revenue for 2022 was $5,271,000, of which $4,771,000 was state and federal sources. Final total revenues were $5,431,000, with state and federal sources being $34,000 over budget, and other sources being $126,000 over budget.

Instructional expenditures were approximately $542,000 under budget and support services were approximately $9,064,000 over budget. This was primarily due to the $3,956,000 in capital outlay and $4,805,000 in debt service during the year. Without these two factors, the school was $224,000 under budget in its general fund expenditures.

Economic Outlook

The School continues to focus on student and overall growth as it continues to expand overall operations, and is monitoring its cash flow and budget very closely in 2022.

Management believes the School is well positioned to grow into a strong financial position and to continue to provide excellent service to its students. Management will continue to maintain a close watch over resources and expenses to ensure that the School’s finances are sustainable for future growth.

	Governmental Activities
Assets	
Cash and cash equivalents	$ 1,233,505
Accounts receivable	45,283
Prepaid expenses and other assets	233,349
Capital assets, net of accumulated depreciation	8,178,951
Net pension asset	99,288
Total assets	9,790,376
Deferred Outflows of Resources	
Relating to pensions	614,265
Total Assets and Deferred Outflows of Resources	$ 10,404,641
Liabilities	
Accounts payable and other accrued expenses	$ 875,629
Advanced revenue	5,489
Accrued interest	3,411
Long-term debt, due within one year	182,753
Long-term debt	7,097,426
Net pension liability	449,342
Total liabilities	8,614,050
Deferred Inflows of Resources	
Relating to pensions	420,555
Net Position	
Net investment in capital assets	898,772
Restricted - net pension asset	371,855
Unrestricted	99,409
Total net position	1,370,036
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 10,404,641

Functions / Programs	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue Changes in Net Position
Governmental Activities			
Instruction	$ 3,369,685	$ 771,116	$ (2,598,569)
Support services	1,713,555	616,878	(1,096,677)
Interest expense	270,828	-	(270,828)
Total governmental activities	$ 5,354,068	$ 1,387,994	(3,966,074)
General Revenues			
State sources			4,034,089
Other revenue			8,939
Change in Net Position			76,954
Net Position, Beginning of Year			1,293,082
Net Position, End of Year			$ 1,370,036

	General Fund
Assets	
Cash and cash equivalents	$ 1,233,505
Accounts receivable	45,283
Prepaid expenses	233,349
Total assets	1,512,137
Liabilities	
Accounts payable and accrued expenses	875,629
Advanced revenue	5,489
Total liabilities	881,118
Fund Balances	
Nonspendable	233,349
Unassigned	397,670
Total fund balances	631,019
Total Liabilities and Fund Balances	$ 1,512,137

Total fund balance - total governmental funds	$	631,019
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital 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		8,622,932
Accumulated depreciation		(443,981)
Net pension asset is a long-term asset which is not recongized on the governmental statements.		99,288
Deferred outflows of resources related to pension accruals not reported in the funds.		614,265
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 following:		
Long-term debt		(7,280,179)
Accrued interest		(3,411)
Net pension liability		(449,342)
Deferred inflows of resources related to pension accruals not reported in the funds.		(420,555)
Total net position of governmental activities	$	1,370,036

	General Fund
Revenues	
State apportionment	$ 4,034,089
Federal grants and contracts	771,116
Other grants and contributions	616,878
Other income	8,939
Total revenues	5,431,022
Expenditures	
Instructional	
Regular instruction	2,157,275
Special education	620,607
Compensatory education	83,802
Other	302,841
Total instructional	3,164,525
Support Services	
District-wide support	1,062,770
School food services	334,688
Pupil transportation	211,769
Capital outlay	3,956,036
Debt service payments - principal	4,533,986
Debt service payments - interest	270,828
Total support services	10,370,077
Total expenditures	13,534,602
Deficiency of Revenues over Expenditures	(8,103,580)
Other Financing Sources (Uses)	
Loan proceeds	7,280,179
Net Change in Fund Balances	(823,401)
Fund Balances, Beginning of Year	1,454,420
Fund Balances, End of Year	$ 631,019

Net change in fund balances - total governmental funds	$ (823,401)
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	3,956,036
Depreciation expense	(224,665)
Repayment of principal and accrued interest on long-term debt is an expenditure in the governmental funds but reduces the liability in the statement of net position.	4,533,986
Long-term debt proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position.	(7,280,179)
Pension expense related to changes in the deferred outflows, net pension liability, and deferred inflows.	(84,823)
Change in Net Position of Governmental Activities	$ 76,954

Note 1 - Summary of Significant Accounting Policies

Entity and Charter

Catalyst Public Schools (the School) 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, the School's basis of presentation follows the governmental, rather than nonprofit, reporting model.

Financial Reporting Entity

The accompanying financial statements present the activities of the School. The School receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School 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. In addition, the School's reporting entity does not contain any component units.

Basis of Presentation

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

The accounts of the School 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 the School. 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 Statement of Activities: presents a comparison between direct expenses and program revenues for each function of the School's 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 the School's 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 the School's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The School only maintains a General Fund.

General Fund: This is the School's primary operating fund. It accounts for all financial resources of the School.

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 the School receives value without directly giving equal value in return, include state apportionment, grants, and donations. Revenue from state apportionment, 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. The School 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.

Cash and Cash Equivalents

The School considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents. Cash balances that are restricted and not expected to be expended within the subsequent year are classified as noncurrent assets.

Prepaid Expenses

Prepaid balances are for payments made by the School in the current year to provide services occurring 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 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. The School's 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.

Accounts Payable

Accounts payable represent 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 revenue has not yet been recognized.

Pensions

For purposes of measuring the net pension liability 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 financial 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.

The School's deferred outflows and inflows relate to the net pension asset and liability.

Fund Balances 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.

- Restricted fund balance – amounts that can be spent only for specific purposes because of the 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 at August 31, 2022.

- Committed fund balance – amounts constrained to specific purposes by the School 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 the School takes the same highest level action to remove or change the constraint. The School did not have any committed fund balance at August 31, 2022.

- Assigned fund balance – amounts the School 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. The School did not have any assigned fund balance at August 31, 2022.

- Unassigned fund balance – amounts that are available for any purpose.

There is no formal policy regarding the use of fund balances, as the School has only maintained unassigned funds historically. However, moving forward it is the School's intent that when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, the School's intent is to apply restricted balance first. When an expenditure is incurred for purposes for which restricted, committed, assigned, and unassigned fund balances are available, the School's intent is to apply restricted fund balance, then committed fund balance, then assigned fund balance, and then unassigned fund balances.

Net position is the difference between the School's 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 assets, less accumulated depreciation and outstanding principal of capital asset related debt. Net position subject to restrictions by external parties is categorized as restricted.

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 the School.

Income Taxes

The School 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, the School 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. The School files a Form 990 in the U.S. federal jurisdiction.

Note 2 - Deposits and Custodial Credit Risk

The School maintains the majority of its cash balances in one financial institution in Bainbridge Island, Washington. As of August 31, 2022, the carrying amount of the School's deposits was $1,233,505, and the respective bank balances totaled $1,275,647. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times the School's cash deposits are in excess of the FDIC limit and for this reason, the School has chosen a large, stable, and reputable financial institution to mitigate risk. At August 31, 2022, the School's uninsured cash balances totaled $1,025,647, with the remaining $250,000 insured by FDIC.

Note 3 - Capital Assets

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

Governmental Activities	Balance August 31, 2021	Additions	Transfers	Balance August 31, 2022
Capital assets, not being depreciated				
Land	$ -	$ 148,090	$ -	$ 148,090
Construction in progress	18,678	1,985,322	(2,004,000)	-
Total capital assets, not being depreciated	18,678	2,133,412	(2,004,000)	148,090
Capital assets, being depreciated				
Buildings	4,441,456	1,622,517	2,004,000	8,067,973
Computers and equipment	206,762	200,107	-	406,869
Total capital assets being depreciated	4,648,218	1,822,624	2,004,000	8,474,842
Less accumulated depreciation	(219,316)	(224,665)	-	(443,981)
Total capital assets, net	$ 4,447,580	$ 3,731,371	$ -	$ 8,178,951

Depreciation expense totaled $148,931 and $75,734, charged to instruction and support services, respectively, for the year ended August 31, 2022.

Note 4 - Long-Term Debt

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

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
*Note payable to Raza Development Fund, Inc., maximum draw down of $3,500,000, payable in monthly installments of $25,077, beginning April 2023, including interest at 6%, balloon payment in March 2025, secured by deed of trust	$ 3,337,197	$ -	$ (3,337,197)	$ -	$ -
*Note payable to CSGF Facility Fund III, LLC, payable in interest only installments, beginning January 2023, at 2.5%, balloon payment in March 2025, unsecured, subordinated to Raza note	625,000	-	(625,000)	-	-
*Note payable to WA Charter School Development, Inc., payable in interest only installments, beginning January 2023, at 2.5%, balloon payment in March 2025, unsecured, subordinated to Raza note	375,000	-	(375,000)	-	-
Note payable to Charter Fund, Inc., interest free, due in full November 2021, unsecured, subordinated to Raza note	149,086	-	(149,086)	-	-
Note payable to Raza Development Fund, Inc., interest only payments through January 2023, followed by monthly installments of $30,165, including interest at 5.00%, balloon payment in March 2027, secured by deed of trust	-	5,160,000	-	5,160,000	70,338
Note payable to Raza Development Fund, Inc., maximum draw down of $3,150,000, interest only payments through January 2023, followed by monthly installments of $18,691, including interest at 5.15%, balloon payment in March 2027, secured by deed of trust	-	1,445,179	-	1,445,179	101,238
Note payable to CSGF Facility Fund III, LLC, payable $9,250 in March 2023, $13,500 in March 2024, 2025, and 2026, balloon payment in March 2027, including interest at 2.5%, unsecured, subordinated to Raza note	-	300,000	-	300,000	3,000
Note payable to WA Charter School Development, interest only payments through November 2022, followed by monthly installments of $1,682, including interest at 2.5%, balloon payment in March 2027, unsecured subordinated to Raza note	-	375,000	-	375,000	8,177
Total long-term liabilities	$ 4,486,283	$ 7,280,179	$ (4,486,283)	$ 7,280,179	$ 182,753

Future payments of long-term debt are as follows:

Years Ended August 31,	Total
2023	$ 182,753
2024	291,648
2025	305,917
2026	320,921
2027	6,178,940
Total minimum obligations	$ 7,280,179

Note 5 - 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 that includes financial statements and required supplementary information for each pension plan. Each pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is 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 comprehensive annual financial report. 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

Substantially all the School's 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 the School does not have any members who participate in PERS, the School is allocated a proportionate share of liability 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. The School 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%
SERS 2	7.76%
SERS 3	N/A
TRS 1	6.00%
TRS 2	8.05%
TRS 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	$ 27,135
SERS 2/3	65,038
TRS 1	87,973
TRS 2/3	132,349

Collective Net Pension Liability (Asset)

The collective net pension liabilities (assets) for the pension plans the School 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 (asset)	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%

The School's Proportionate Share of the Net Pension Liability (NPL) and Net Pension Asset (NPA)

At August 31, 2022, the School reported a total liability of $449,342 and a total asset of $99,288 for its proportionate shares of the individual plans' collective net pension amounts. The School's proportionate share of the collective net pension amounts are based on annual contributions for each of the employers participating in the DRS administered plans.

At August 31, 2022 and 2021, the School's proportionate share of each plan's net pension liability (asset) is reported below:

August 31, 2022	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Proportionate share of Net	0.004428%	0.024245%	0.017144%	0.017356%
Pension Liability (Asset)	$ 123,292	$ (65,134)	$ 326,050	$ (34,154)

August 31, 2021	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Proportionate share of Net	0.001882%	0.011277%	0.010750%	0.010738%
Pension Liability	$ 22,984	$ (121,081)	$ 72,380	$ (295,167)

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 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 2020 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, 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 WSIB's 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, the School 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	$ -	$ 20,433

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 53,854	$ -
Net difference between projected and actual earnings on pension plan investments	-	96,133
Changes in assumptions or other inputs	73,653	5,309
Changes in proportion and differences between contributions and proportionate share of contributions	20,046	11,292
Contributions subsequent to the measurement date	18,263	-
	$ 165,816	$ 112,734

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 58,424

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 170,177	$ 3,432
Net difference between projected and actual earnings on pension plan investments	-	180,644
Changes in assumptions or other inputs	192,411	20,927
Changes in proportion and differences between contributions and proportionate share of contributions	47,756	23,961
Contributions subsequent to the measurement date	38,105	-
	$ 448,449	$ 228,964

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

Years Ended August 31,	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2023	$ (8,647)	$ (10,333)	$ (24,771)	$ (32,339)
2023	(7,854)	(6,243)	(22,521)	(24,727)
2024	(9,852)	(17,736)	(28,325)	(40,710)
2025	5,920	54,154	17,193	103,586
2026	-	13,674	-	44,600
Thereafter	-	1,303	-	130,970

Pension Expense

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

PERS 1	$ 95,237
SERS 2/3	(74,047)
TRS 1	203,583
TRS 2/3	(139,950)
Total	$ 84,823

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

The table below presents the School's proportionate share of the net pension liability (asset) 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 the School's allocation percentage.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1 Net Pension Liability (Asset)	$ 164,716	$ 123,292	$ 87,138
SERS 2/3 Net Pension Liability (Asset)	$ 225,278	$ (65,134)	$ (304,499)
TRS 1 Net Pension Liability (Asset)	$ 442,735	$ 326,050	$ 224,052
TRS 2/3 Net Pension Liability (Asset)	$ 618,764	$ (34,154)	$ (564,967)

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 6 - Concentrations

The School's principal source of support is state based support revenue. For the year ended August 31, 2022, this funding source accounted for approximately 74% of all revenues.

Note 7 - Leases

The School leases equipment through various short term leases. The School previously leased premises through an operating lease through an unrelated third party. The lease called for minimum lease payments of $5,400 per month, with a purchase option of $1,750,000 beginning February 2022, which was exercised during the year.

Required Supplementary Information
August 31, 2022

Catalyst Public Schools

	Budget Original and Final	Actual	Variance
Revenues			
State apportionment	$ 3,872,713	$ 4,034,089	$ 161,376
Federal grants and contracts	898,541	771,116	(127,425)
Other grants and contributions	500,000	616,878	116,878
Other	-	8,939	8,939
Total revenues	5,271,254	5,431,022	159,768
Expenditures			
Instructional			
Regular instruction	2,237,395	2,157,275	80,120
Special education	701,373	620,607	80,766
Compensatory education	103,308	83,802	19,506
Community Services	500,000	-	500,000
Other	164,868	302,841	(137,973)
Total instructional	3,706,944	3,164,525	542,419
Support Services			
District-wide support	827,694	1,062,770	(235,076)
School food services	260,211	334,688	(74,477)
Pupil transportation	203,183	211,769	(8,586)
Capital outlay	15,000	3,956,036	(3,941,036)
Debt service payments - principal	-	4,533,986	(4,533,986)
Debt service payments - interest	-	270,828	(270,828)
Total support services	1,306,088	10,370,077	(9,063,989)
Total expenditures	5,013,032	13,534,602	(8,521,570)
Other financing sources			
Loan proceeds	-	7,280,179	7,280,179
Net Change in Fund Balances	$ 258,222	$ (823,401)	$ 15,961,517

Schedule of Employer's Share of Net Pension Liability (Asset)

	As of the measurement date of June 30,	
	2022	2021
PERS 1		
Employer's proportionate share of the net pension liability (asset)	0.004428%	0.001882%
Employer's proportion share of the net pension liability (asset)	$ 123,292	$ 22,984
Employer's covered payroll	$ 691,151	$ 283,906
Employer's proportional share of the net pension liability (asset) as a percentage of its covered payroll	17.8%	8.1%
Plan fiduciary net position as a percentage of the total pension liability	76.6%	88.7%
SERS 2/3		
Employer's proportionate share of the net pension liability (asset)	0.024245%	0.011277%
Employer's proportion share of the net pension liability (asset)	$ (65,134)	$ (121,081)
Employer's covered payroll	$ 691,151	$ 283,906
Employer's proportional share of the net pension liability (asset) as a percentage of its covered payroll	-9.4%	-42.6%
Plan fiduciary net position as a percentage of the total pension liability	103.2%	114.2%
TRS 1		
Employer's proportionate share of the net pension liability (asset)	0.017144%	0.010750%
Employer's proportion share of the net pension liability (asset)	$ 326,050	$ 72,380
Employer's covered payroll	$ 1,376,144	$ 797,366
Employer's proportional share of the net pension liability (asset) as a percentage of its covered payroll	23.7%	9.1%
Plan fiduciary net position as a percentage of the total pension liability	78.2%	91.4%
TRS 2/3		
Employer's proportionate share of the net pension liability (asset)	0.017356%	0.010738%
Employer's proportion share of the net pension liability (asset)	$ (34,154)	$ (295,167)
Employer's covered payroll	$ 1,376,144	$ 797,366
Employer's proportional share of the net pension liability (asset) as a percentage of its covered payroll	-2.5%	-37.0%
Plan fiduciary net position as a percentage of the total pension liability	100.9%	113.7%

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

Schedule of Employer's Contributions

	As of the report date of August 31	
	2022	2021
PERS 1		
Statutorily required contribution	$ 27,135	$ 14,016
Contributions in relation to the statutorily required contribution	$ 27,135	$ 14,016
Contribution (deficiency) excess	$ -	$ -
Employer's covered payroll	$ 758,873	$ 372,947
Contributions as a percentage of the covered payroll	3.58%	3.76%
SERS 2/3		
Statutorily required contribution	$ 132,349	$ 81,750
Contributions in relation to the statutorily required contribution	$ 132,349	$ 81,750
Contribution (deficiency) excess	$ -	$ -
Employer's covered payroll	$ 758,873	$ 372,947
Contributions as a percentage of the covered payroll	17.44%	21.92%
TRS 1		
Statutorily required contribution	$ 65,038	$ 31,232
Contributions in relation to the statutorily required contribution	$ 65,038	$ 31,232
Contribution (deficiency) excess	$ -	$ -
Employer's covered payroll	$ 1,454,481	$ 983,282
Contributions as a percentage of the covered payroll	4.47%	3.18%
TRS 2/3		
Statutorily required contribution	$ 87,973	$ 59,085
Contributions in relation to the statutorily required contribution	$ 87,973	$ 59,085
Contribution (deficiency) excess	$ -	$ -
Employer's covered payroll	$ 1,454,481	$ 983,282
Contributions as a percentage of the covered payroll	6.05%	6.01%

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

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

The School's 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

Catalyst 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
Catalyst Public Schools
Bremerton, 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 Catalyst Public Schools as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Catalyst Public Schools' basic financial statements and have issued our report thereon dated March 23, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Catalyst 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 Catalyst Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Catalyst 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 Catalyst 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.

Eide Bailly LLP

Spokane, Washington
March 23, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Catalyst Public Schools
Bremerton, Washington

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Catalyst 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 Catalyst Public Schools' major federal programs for the year ended August 31, 2022. Catalyst 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, Catalyst Public Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its 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 Catalyst 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 the major federal programs. Our audit does not provide a legal determination of Catalyst 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 Catalyst 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 Catalyst 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 Catalyst 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 Catalyst 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 Catalyst 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 Catalyst 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.

Eide Bailly LLP

Spokane, Washington
March 23, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assitance Listing Number	Pass-Through Entity Number	Federal Expenditures
U.S. Department of Education			
Pass-Through Programs			
Washington Office of Superintendent of Public Instruction			
Title I Grants to Local Educational Agencies	84.010	0204008	$ 31,517
Supporting Effective Instruction State Grants	84.367	0525302	12,955
Washington State Charter Schools Program Grant	84.282	None	305,966
Special Education Cluster			
Special Education Grants to States	84.027	338437	83,525
Total Special Education Cluster			83,525
Education Stabilization Fund			
COVID-19 Elementary & Secondary Emergency Relief Fund	84.425D	0120340 0137221	45,884
COVID-19 - American Rescue Plan – Elementary and Secondary School Emergency Relief	84.425U	712071	93,883
Total Education Stabilization Fund			139,767
Total U.S. Department of Education			573,730
U.S. Department of Agriculture			
Pass-Through Programs			
Washington Office of Superintendent of Public Instruction			
Child Nutrition Cluster			
National School Lunch Program	10.555	SSO	196,332
Total Child Nutrition Cluster			196,332
PEBT Administrative Funds	10.649	P-EBT	614
Total U.S. Department of Agriculture			196,946
Federal Communications Commisions			
Direct Programs			
Emergency Connectivity Fund Program	32.009		400
Total Federal Communications Commisions			400
Total federal finanical assistance			$ 771,076

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Catalyst 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 Catalyst Public Schools, it is not intended to and does not present the financial position, changes in net position, or fund balance of Catalyst 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

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

Note 4 - Food Donation

Nonmonetary assistance is reported in the SEFA at the fair market value of the commodities received and disbursed.

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:

Name of Federal Program or Cluster	Federal Assistance Listing Number
Education Stabilization Fund	
Washington State Charter Schools Program Grant	84.282
National School Lunch Program	10.555

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No