Office of the Washington State Auditor
Pat McCarthy

July 17, 2023

Board of Directors
Rainier Valley Leadership Academy
Seattle, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of Rainier Valley Leadership Academy 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 and, accordingly, we do not express an opinion on those financial statements.

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

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

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RAINIER VALLEY LEADERSHIP ACADEMY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED AUGUST 31, 2022

RAINIER VALLEY LEADERSHIP ACADEMY
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YEAR ENDED AUGUST 31, 2022

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rainier Valley Leadership Academy
Seattle, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Rainier Valley Leadership Academy (the Academy) as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Academy, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective September 1, 2021, the Academy adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability for all leases with lease terms greater than 12 months. As a result of the implementation of this guidance, the Academy has reported a right-to-use lease asset and corresponding lease liability. Our opinion is 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 the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 the Academy's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Academy's proportionate share of the net pension liability and schedule of Academy contributions and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 Summit Public Schools Washington's basic financial statements, the schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by requirements of the state of Washington and is not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of board of directors and administrators but does not include the basic financial statements, and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Directors
Rainier Valley Leadership Academy

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the Academy's 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 the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
February 28, 2023

This section of the Rainier Valley Leadership Academy (the Academy) annual financial report presents our discussion and analysis of the Academy's financial performance for the fiscal year ended August 31, 2022. Please read it in conjunction with the audited financial statements, which immediately follow this section.

Financial and Organizational Highlights

- As of the close of the current fiscal year, the Academy's general fund reported ending fund balance of $572,270.
- The assets of the Academy's general fund comprise primarily of cash of $3,590,723, due from governments of $303,718 and prepaid items of $186,812. The liabilities of the Academy's governmental fund at the close of the fiscal year are $3,508,983, which is comprised of accounts payable, due to governments, and unearned revenues.
- The Academy's general fund had revenues and other sources of $14,854,334 and expenditures of $14,853,344 for the year ended August 31, 2022 for a change in fund balance of $990.
- After adjusting for the Academy's pension assets and liabilities, lease payable and capital additions, the Academy's change in net position was a decrease of $224,231 for a total net position of $169,900.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements are comprised of three components: (1) Statement of Net Position and General Fund Balance Sheet, (2) Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance and (3) Notes to the Basic Financial Statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Academy's assets and deferred outflows of resources, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

Net Position

	Governmental Activities 2022	Governmental Activities 2021
Assets		
Current and Other Assets	$ 4,081,253	$ 4,827,186
Capital Assets	9,491,895	103,232
Aggregate Net Pension Asset	103,755	592,758
Total Assets	13,676,903	5,523,176
Deferred Outflows of Resources	563,329	307,880
Liabilities		
Current Liabilities	3,508,983	4,255,906
Lease Payable	9,684,887	-
Aggregate Net Pension Liability	473,677	-
Total Liabilities	13,667,547	4,255,906
Deferred Inflows of Resources	402,785	1,181,019
Net Position		
Net Investment in Capital Assets	(192,992)	103,232
Unrestricted	362,892	290,899
Total Net Position (Deficit)	$ 169,900	$ 394,131

The current assets balance is primarily cash and due from governments at August 31, 2022, that were due from the State of Washington.

The total noncurrent assets are comprised of capital assets purchased, leased assets and the net pension asset. The changes from the prior year were the result on implementing the pension accounting standard and changes in the pension calculations made in the current year, The current liabilities balance is a combination of accounts payable that were due but not paid at August 31 and long-term liabilities is comprised of the lease payable and net pension liability. The changes from the prior year were the result on implementing the pension accounting standard and changes in the pension calculations made in the current year,

Changes in Net Position

	Governmental Activities	
	2022	2021
Revenues		
Program Revenues:		
Charges for Services	$ -	$ 101,152
Operating Grants and Contributions	1,499,580	1,238,865
General Revenues:		
Unallocated State Apportionment and Other	3,621,742	3,376,943
Total Revenues	5,121,322	4,716,960
Expenses		
Regular Instruction	1,803,103	461,669
Special Instruction	589,819	531,914
Compensatory Education	446,421	565,016
Other Instructional Program	-	6,097
Community Services	107,522	160,488
Supporting Services	1,501,141	1,691,568
Depreciation and Amortization	414,184	51,626
Lease Payments	483,363	-
Total Expenses	5,345,553	3,468,378
Change in Net Position	$ (224,231)	$ 1,248,582

Revenues

During this year of the Academy's operations, the primary source of revenue was $5,121,322 from the State of Washington, federal funding, private grants, and contributions.

Expenses

Total expenses consist of salary and benefit costs, facilities and maintenance costs, general supplies, food services, purchased services and other expenditures needed to operate the Academy. These expenses continue to grow as more schools are opening and adding grade levels.

Fund Financial Analysis

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Academy's governmental fund is discussed below.

General Fund

The focus of the Academy's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the Academy's general fund reported an ending fund balance of $572,270.

Capital Assets

The Academy had capital assets net of depreciation and amortization of $9,491,895 as of August 31, 2022.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Academy's budget for fiscal year 2022/23
.
For fiscal year 2021/22 the Academy took a proactive approach to budgeting to ensure that it factored in the impact to enrollment as a result of the coronavirus. The Academy decided to conservatively budget to ensure that enrollment metrics were met, staffing levels were appropriate for the amount of scholars served and supplies and materials were adjusted to ensure that scholars received what they needed while learning in a fully remote and emerging into a hybrid learning environment.

The overall long-term success of the Academy was factored in the budgeting process that was collaboratively planned with stakeholders from all levels including board, certificated staff, classified staff, scholars, and parents. As such the Academy opted for a reduced enrollment number, and lean staffing with flexibility to increase as needed to support the needs of scholars. Over the course of the budgeted year the Academy continued to maintain enrollment at the budgeted number for enrollment.

Revenues are determined by utilizing revenue estimation tools developed by the State Department of Education.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with general overview of the Academy's finances. If you have questions regarding this report or need additional financial information, contact Chastity Catchings at chastity.catchings@myrvla.org.

RAINIER VALLEY LEADERSHIP ACADEMY
STATEMENT OF NET POSITION AND GENERAL FUND BALANCE SHEET
AUGUST 31, 2022

	General Fund	Adjustments (Note 3)	Statement of Net Position
ASSETS			
Cash and Cash Equivalents	$ 3,590,723	$ -	$ 3,590,723
Due from Governments	303,718	-	303,718
Prepaid Items	186,812	-	186,812
Capital Assets, Net of Accumulated Depreciation	-	9,491,895	9,491,895
Aggregate Net Pension Asset	-	103,755	103,755
Total Assets	4,081,253	9,595,650	13,676,903
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pensions	-	563,329	563,329
Total Assets and Deferred Outflows of Resources	$ 4,081,253	$ 10,158,979	$ 14,240,232
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 210,495	$ -	$ 210,495
Due to Governments	329,070	-	329,070
Unearned Revenues	2,969,418	-	2,969,418
Lease Payable	-	9,684,887	9,684,887
Aggregate Net Pension Liability	-	473,677	473,677
Total Liabilities	3,508,983	10,158,564	13,667,547
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pensions	-	402,785	402,785
FUND BALANCE			
Nonspendable	186,812	(186,812)	-
Unassigned	385,458	(385,458)	-
Total Fund Balance	572,270	(572,270)	-
NET POSITION			
Net Investment in Capital Assets	-	(192,992)	(192,992)
Unrestricted	-	362,892	362,892
Total Net Position	-	169,900	169,900
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/ Net Position	$ 4,081,253	$ 10,158,979	$ 14,240,232

See accompanying Notes to Financial Statements.

RAINIER VALLEY LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED AUGUST 31, 2022

	General Fund	Adjustments (Note 4)	Statement of Net Position
REVENUES			
Statement of Apportionment Sources	$ 2,556,602	$ -	$ 2,556,602
Federal Sources	511,942	-	511,942
Other State Sources	1,062,344	-	1,062,344
Other Local Sources	990,434	-	990,434
Total Revenues	5,121,322	-	5,121,322
EXPENSES			
Regular Instruction	1,874,106	(71,003)	1,803,103
Special Instruction	589,819	-	589,819
Compensatory Education	446,421	-	446,421
Community Services	107,522	-	107,522
Support Services	1,501,141	-	1,501,141
Depreciation and Amortization	-	414,184	414,184
Lease Payments	531,488	(48,125)	483,363
Capital Outlay	9,802,847	(9,802,847)	-
Total Expenditures/Expenses	14,853,344	(9,507,791)	5,345,553
OTHER SOURCES AND USES			
Proceeds from Lease Payable	9,733,012	(9,733,012)	-
Total Sources and Uses	9,733,012	(9,733,012)	-
CHANGE IN FUND BALANCE/NET POSITION	990	(225,221)	(224,231)
Fund Balance/Net Position - Beginning of Year	571,280	(177,149)	394,131
FUND BALANCE/NET POSITION - END OF YEAR	$ 572,270	$ (402,370)	$ 169,900

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Rainier Valley Leadership Academy (the Academy) was formed to operate charter schools as provided in the Washington State Charter Schools Act. The Academy is dedicated to transforming educational opportunities for students in Washington State as part of a larger solution for educational equity and access for all students. Over the 2019-20 school year, Green Dot Washington transitioned its oversight and on-the-ground operations to support the Academy as a community-centered, standalone school. As such, it is adding greater representation, voice, and expertise from the Seattle community to its Board to ensure more local school governance. The organization changed its name from Green Dot Public Schools Washington State to Rainier Valley Leadership Academy. The Academy's support is derived primarily from State of Washington public education monies, foundation contributions, and various government agency grants.

Accounting Policies

As required by the State of Washington, the Academy accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Estimates

The preparation of financial statements in conformity and in accordance with the generally accepted financial principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

Measurement Focus and Financial Statement Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Academy as a whole. All of the Academy's activities as a charter school are considered governmental in nature per the State of Washington; therefore, the Academy does not report any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the cash flows occur. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds (see Notes 3 and 4).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Financial Statement Presentation (Continued)

Governmental Fund Financial Statements

The Academy's general fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable. Revenues are considered to be available if they are collectible within the current period and available soon thereafter to pay liabilities of the current period.

For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of revenues related to private grants, which are included in revenue if received within six months after year-end. Expenditures generally are recorded when a liability is incurred under accrual accounting except for principal and interest on long-term leases, which are recognized only when due and payable.

The Academy accounts for all of its operating activities in its general fund.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed, assigned, and then unassigned fund balances.

Cash and Cash Equivalents

The Academy defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Prepaid Items

Payments made for services that will benefit periods beyond August 31, 2022, are recorded as prepaid items. In the governmental fund balance sheet these amounts are recorded as nonspendable as these amounts are not available for expenditure.

Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized.

The estimated lives of capital assets are as follows:

Equipment	6 years
Leasehold improvements	5 years
Right to use assets	Lease Term

Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all capital assets is provided on a straight-line basis over the estimated useful lives of the capital assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the statement of net position reports 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 will not be recognized as an inflow of resources (revenue) until that time.

Deferred Outflows – Pension

The deferred outflow of resources related to pensions resulted from Academy contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans. The deferred outflow – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Deferred Inflows – Pension

The deferred inflows of resources represent an acquisition of net position by the Academy that is applicable to a future reporting period. The deferred inflows of resources related to pensions and are amortized to pension expense.

Revenues

Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded under the accrual basis when the exchange takes place.

Nonexchange transactions are those in which the Academy receives value without directly giving equal value in return and includes private grants and contributions and state revenue. Under the accrual basis, this revenue is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements under which the Academy must provide local resources to be used for a specific purpose and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Unearned Revenue

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

Fund Balances

Fund balance presented in the governmental fund financial statements represent the difference between assets and liabilities. Accounting standards require that the fund balance be classified into the following categories based upon the type of restrictions imposed on the use of funds:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for the specific purposes determined by a formal action of the entity's highest level of decision-making authority.
- Assigned – This classification includes amounts intended to be used by the entity for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – This classification is the residual amount for the Academy's general fund and includes all spendable amounts not contained in the other classifications.

Net Position

The net position is the residual of assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The Academy maintains the following classifications of net position:

- Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and capital-related debt, including lease payables..
- Restricted – Net position that is subject to restriction imposed by creditors, grantors or laws or regulation of other governments.
- Unrestricted – All other categories of net position

Budgetary Data

The budgetary process is prescribed by provisions of the Washington State Education Code and requires the Board of Directors to hold a public hearing and adopt an operating budget no later than July 1 of each year. The Board of Directors satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account. The following major expenditure object accounts exceeded budgeted amount:

Supplies for Consumption and Resale	$69,077
Services and Pass-Through Payments	$121,339

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policies and Practices

The Academy is not authorized to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

New Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy adopted the requirements of the guidance effective September 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for periods beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users and requires recognition of right to use assets and corresponding liabilities for SBITAs that meet certain criteria. Management has not yet completed its assessment of this statement.

Management has completed its assessment of all other new, but not yet effective GASB statements, including those for which the implementation dates were delayed by the issuance of GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020, and determined that they will not have a material effect on the School's financial position or changes therein.

NOTE 2 DEPOSITS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Academy has a cash management policy that covers custodial risk and requires excess funds to be deposited in insurance backed accounts. The Academy has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. As of August 31, 2022, none of the Academy's bank balance of $3,590,723 was exposed to credit risk due to deposit insurance programs.

NOTE 3 EXPLANATION OF DIFFERENCES BETWEEN THE BALANCE SHEET AND THE STATEMENT OF NET POSITION

Total fund balance of the Academy's general fund differs from net position of governmental activities primarily because of the long-term economic resources measurement focus of the statement of net position versus the current financial resources measurement focus of the general fund balance sheet.

The differences are described below:

Total Fund Balance - Governmental Funds		$ 572,270
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 as assets in governmental funds.		
The Cost of Capital Assets	$ 10,060,927	
Accumulated Depreciation and Amortization	(569,032)	
Net Capital Assets		9,491,895
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the Academy's funds. Deferred outflows of resources related to pensions at year end consist of:		
Difference Between Expected and Actual Experiences	$ 233,570	
Change in Assumptions or Other Inputs	277,452	
Contributions Subsequent to the Measurement Date	52,307	
Total Deferred Outflows of Resources Related to Pensions		563,329
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the Academy's funds. Deferred inflows of resources related to pensions at year end consist of:		
Difference Between Expected and Actual Experiences	$ (3,574)	
Net Difference Between Projected and Actual Earnings on Pension Plan Investment	(371,863)	
Change in Assumptions or Other Inputs	(27,348)	
Total Deferred Inflows of Resources Related to Pensions		(402,785)
Long-term leases payable is not due and payable in the current period and, therefore, are not reported as liabilities in the general fund.		(9,684,887)
Net pension liability is not due and payable in the current period, and is not reported as an asset in the funds.		(369,922)
Total Net Position - Governmental Activities		$ 169,900

NOTE 4 EXPLANATION OF DIFFERENCES BETWEEN STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND THE STATEMENT OF ACTIVITIES

The net change in fund balance for the general fund differs from the change in net position for governmental activities primarily because of the long-term economic resources measurement focus of the statement of activities versus the current financial resources measurement focus of the general fund statement of revenues, expenditures, and changes in fund balance.

The differences are described below:

Total Net Change in Fund Balance - Governmental Funds		$ 990
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position	$ 9,802,847	
		9,802,847
This is the amount by which capital outlays exceeds depreciation in the period.		
Depreciation Expense and Amortization	$ (414,184)	
Net Expense Adjustment		(414,184)
The governmental funds report loan proceeds as financing sources, while repayment of loan principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of loan proceeds and related items is as follows:		
Proceeds from Leases	$ (9,733,012)	
Lease Payments	48,125	
		(9,684,887)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		71,003
Change in Net Position of Governmental Activities		$ (224,231)

NOTE 5 DUE FROM GOVERNMENTS

Accounts receivable primarily consist of funds due from various governmental units. Management believes all of these amounts are collectible; therefore, no provisions for uncollectible accounts were recorded. As of August 31, 2022, all amounts are considered collectible within one year.

NOTE 6 CAPITAL ASSETS AND DEPRECIATION

Capital assets and depreciation consisted of the following:

	Balance September 1, 2021	Additions	Deductions	Balance August 31, 2022
Governmental Activities				
Capital Assets, being Depreciated and Amortized:				
Right of Use Asset - Facilities	$ -	$ 9,733,012	$ -	$ 9,733,012
Leasehold Improvements	258,080	-	-	258,080
Equipment	-	69,835	-	69,835
Total Capital Assets, being Depreciated and Amortized	258,080	9,802,847	-	10,060,927
Less Accumulated Depreciation and Amortization for:				
Right of Use Asset - Facilities	-	(361,598)	-	(361,598)
Leasehold Improvements	(154,848)	(52,586)	-	(207,434)
Total Accumulated Depreciation and Amortization	(154,848)	(414,184)	-	(569,032)
Governmental Activities Capital Assets, Net	$ 103,232	$ 9,388,663	$ -	$ 9,491,895

Depreciation and amortization expense was $414,184 for the year ended August 31, 2022.

NOTE 7 LEASES PAYABLE

The Academy also leases facilities under a long-term, noncancellable lease agreement that expires in August 2048. Total future minimum lease payments under the lease agreement are as follows:

	Leases Payable		
Year Ending August 31,	Principal	Interest	Total
2023	$ 60,602	$ 480,613	$ 541,215
2024	74,826	477,215	552,041
2025	89,998	473,083	563,081
2026	106,174	468,169	574,343
2027	123,409	462,421	585,830
Thereafter	9,229,878	6,176,847	15,406,725
Total	$ 9,684,887	$ 8,538,348	$ 18,223,235

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

	Governmental Activities
Facilities	$ 9,733,012

NOTE 8 RISK MANAGEMENT

The Academy is exposed to various risks of loss related to theft of, damage to, and destruction of, assets, errors, and omissions, injuries to employees, students, and visitors and natural disasters. The Academy's policy is to minimize these risks through the purchase of commercial insurance. Settled claims have not exceeded the commercial insurance coverage since the Academy's inception.

NOTE 9 PENSION PLANS

General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual 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 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, 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 ACFR. 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./administrations/annual-report.

Membership and Plan Benefits

Certificated employees are members of TRS. Classified employees are members of PERS (if Plan 1) or SERS. Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. TRS 1 and PERS 1 are closed to new entrants.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity.

NOTE 9 PENSION PLANS (CONTINUED)

Membership and Plan Benefits (Continued)

TRS is comprised 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 only be a member of either 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 this 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 defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability, and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as 2% of the average final compensation (AFC), for each year of service credit, up to a maximum of 60%, divided by 12. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the average final compensation (AFC) per year of service for Plan 2 members and 1% of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 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. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by 3% for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at 3% annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

NOTE 9 PENSION PLANS (CONTINUED)

Membership and Plan Benefits (Continued)

PERS Plan 1 provides retirement, disability, and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service 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.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS is a cost-sharing multiple-employer retirement system comprised 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. SERS members include classified employees of school districts and educational service districts.

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. 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 only be a member of either 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 this 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.

SERS provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months before retirement, termination, or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 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 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by 3% for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

NOTE 9 PENSION PLANS (CONTINUED)

Membership and Plan Benefits (Continued)

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at 3% annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan 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 methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100% of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6% and does not vary from year to year.

The employer and employee contribution rates for the various plans are effective as of the dates shown in the table. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2022 and 2021 are listed below:

Pension Rates			
	2022 Rate	2021 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.75%	12.87%	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	14.42%	15.74%	
TRS 2			
Member Contribution Rate	7.76%	7.06%	
Employer Contribution Rate	14.42%	15.74%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	14.42%	15.74%	**
SERS 2			
Member Contribution Rate	8.25%	8,25%	
Employer Contribution Rate	13.30%	13.30%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.30%	13.30%	**
Note: The DRS administrative rate of .0018 is included in the employer rate.			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

NOTE 9 PENSION PLANS (CONTINUED)

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 TRS 1, TRS 2/3, PERS 1, and SERS 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 used in the plans were based on the Pub-H-2010 mortality rates. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are 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 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.

NOTE 9 PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return (Continued)

The long-term expected rate of return of 7.00% approximately equals the median of the simulated investment returns over a 50-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a 10- to 15-year period, becomes amplified over a 50-year measurement period.

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:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
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. Consistent with current law, the completed asset sufficiency test included an assumed 7.00% long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.00% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, 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.

NOTE 9 PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for PERS Plan 1

At August 31, 2022, the Academy reported a liability of $129,864 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Academy's proportion of the net pension liability was based on the Academy's contributions to the plan relative to the total contributions of participating employers to the pension plan. The Academy's proportion was 0.004664% as of June 30, 2022. The Academy's proportion was 0.003307% as of June 30, 2021.

At August 31, 2022, the Academy 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
Difference Between Expected and Actual Experience	$ -	$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	21,522
Contribution Subsequent to the Measurement Date	-	-
Total	$ -	$ 21,522

$21,522 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Amount
2023	$ (9,108)
2024	(8,272)
2025	(10,377)
2026	6,235
2027	-
Thereafter	-

NOTE 9 PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for PERS Plan 1 (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the employers calculated using the discount rate of 7.00% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability	$ 173,495	$ 129,864	$ 91,782

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for SERS Plan 2/3

At August 31, 2022, the Academy reported an asset of $68,194 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Academy's proportion of the net pension liability was based on the Academy's contributions to the plan relative to the total contributions of participating employers to the pension plan. The Academy's proportion was .025384% as of June 30, 2022. The Academy's proportion was .019854% as of June 30, 2021.

At August 31, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 56,383	$ -
Changes of Assumptions	77,114	5,559
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	100,649
Contribution Subsequent to the Measurement Date	18,063	-
Total	$ 151,560	$ 106,208

NOTE 9 PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for SERS Plan 2/3 (Continued)

$18,063 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Amount
2023	$ (13,619)
2024	(9,337)
2025	(21,370)
2026	53,897
2027	16,122
Thereafter	1,596

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the employers calculated using the discount rate of 7.00% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability	$ 235,861	$ (68,194)	$ (319)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for TRS Plan 1

At August 31, 2022, the Academy reported a liability of $343,813 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Academy's proportion of the net pension liability was based on the Academy's contributions to the plan relative to the total contributions of participating employers to the pension plan. The Academy's proportion was 0.018078% as of June 30, 2022. The Academy's proportion was 0.020285% as of June 30, 2021.

NOTE 9 PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for TRS Plan 1 (Continued)

At August 31, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS 1	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ -	$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	61,607
Contribution Subsequent to the Measurement Date	-	-
Total	$ -	$ 61,607

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Amount
2023	$ (26,120)
2024	(23,748)
2025	(29,868)
2026	18,129
2027	-
Thereafter	-

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the employers calculated using the discount rate of 7.00% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability	$ 466,855	$ 343,813	$ 236,258

NOTE 9 PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for TRS Plan 2/3

At August 31, 2022, the Academy reported an asset of $35,561 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Academy's proportion of the net pension liability was based on the Academy's contributions to the plan relative to the total contributions of participating employers to the pension plan. The Academy's proportion was 0.018071% as of June 30, 2022. The Academy's proportion was 0.020247% as of June 30, 2021.

At August 31, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 177,187	$ 3,574
Changes of Assumptions	200,338	21,789
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	188,085
Contribution Subsequent to the Measurement Date	34,244	-
Total	$ 411,769	$ 213,448

$34,244 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Amount
2023	$ (37,115)
2024	(29,189)
2025	(45,831)
2026	104,410
2027	42,994
Thereafter	128,808

NOTE 9 PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for TRS Plan 2/3 (Continued)

The following table presents the net pension liability of the employers calculated using the discount rate of 7.00% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability	$ 644,254	$ (35,561)	$ (588,241)

For the year ended August 31, 2022, the Academy recognized pension expense of $219,779 from all pension plans.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, The Academy may be required to reimburse the grantor government. As of August 31, 2021, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

REQUIRED SUPPLEMENTARY INFORMATION

RAINIER VALLEY LEADERSHIP ACADEMY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
State Apportionment Sources	$ 2,348,397	$ 2,348,397	$ 2,556,602	$ 208,205
Federal Sources	1,030,747	1,030,747	511,942	(518,805)
Other State Sources	565,406	565,406	1,062,344	496,938
Other Local Sources	-	-	990,434	990,434
Total Revenues	3,944,550	3,944,550	5,121,322	1,176,772
EXPENDITURES				
Salaries and Wages	2,244,146	2,244,146	2,209,891	34,255
Personnel Benefits	864,823	864,823	795,164	69,659
Supplies for Consumption and Resale	133,500	133,500	202,577	(69,077)
Services and Pass-Through Payments	1,260,757	1,260,757	1,381,212	(120,455)
Debt Service – Principal	90,707	48,707	48,125	582
Debt Service – Interest and Issuance Costs	442,340	484,340	483,363	977
Total Expenditures	5,036,273	5,036,273	5,120,332	(84,059)
NET CHANGE IN FUND BALANCES	(1,091,723)	(1,091,723)	990	1,092,713
Fund Balance - Beginning of Year	571,280	571,280	571,280	-
FUND BALANCE - END OF YEAR	$ (520,443)	$ (520,443)	$ 572,270	$ 1,092,713

See accompanying Notes to Required Supplementary Information.

RAINIER VALLEY LEADERSHIP ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
AUGUST 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Public Employees' Retirement System (PERS) Plan 1

Year End June 30,	2016	2017	2018	2019	2020	2021	2022
Charter's Proportion of the Net Pension Liability (Asset)	0.005463%	0.007923%	0.014270%	0.012765%	0.006934%	0.003307%	0.004664%
Charter's Proportionate Share of the Net Pension Liability (Asset)	$ 293,381	$ 375,953	$ 637,301	$ 490,853	$ 244,809	$ 40,387	$ 129,864
Charter's Covered Payroll	$ 666,377	$ 999,138	$ 1,918,143	$ 1,792,055	$ 1,030,634	$ 506,632	$ 722,362
Charter's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	44.03%	37.63%	33.22%	27.39%	23.75%	7.97%	17.98%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	61.24%	61.24%	67.12%	68.64%	88.74%	76.56%

School Employees' Retirement System (SERS) Plan 2/3

Year End June 30,	2016	2017	2018	2019	2020	2021	2022
Charter's Proportion of the Net Pension Liability (Asset)	0.036063%	0.048907%	0.086715%	0.074040%	0.039350%	0.019854%	0.025384%
Charter's Proportionate Share of the Net Pension Liability (Asset)	$ 236,851	$ 241,342	$ 259,331	$ 173,623	$ 209,328	$ (213,172)	$ (68,194)
Charter's Covered Payroll	$ 666,377	$ 999,138	$ 1,918,143	$ 1,792,055	$ 1,030,634	$ 506,632	$ 722,362
Charter's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	35.54%	24.16%	13.52%	9.69%	20.31%	-42.08%	-9.44%
Plan fiduciary net position as a percentage of the total pension liability	86.52%	90.79%	94.77%	96.31%	92.45%	114.15%	103.17%

Teachers' Retirement System (TRS) Plan 1

Year End June 30,	2016	2017	2018	2019	2020	2021	2022
Charter's Proportion of the Net Pension Liability (Asset)	0.015747%	0.023486%	0.054828%	0.055458%	0.031320%	0.020285%	0.018078%
Charter's Proportionate Share of the Net Pension Liability (Asset)	$ 537,640	$ 710,044	$ 1,601,288	$ 1,373,026	$ 754,432	$ 136,578	$ 343,813
Charter's Covered Payroll	$ 801,491	$ 1,319,294	$ 3,271,950	$ 3,747,222	$ 2,271,055	$ 1,516,197	$ 1,431,629
Charter's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	67.08%	53.82%	48.94%	36.64%	33.22%	9.01%	24.02%
Plan fiduciary net position as a percentage of the total pension liability	62.07%	65.58%	66.52%	70.37%	70.55%	91.42%	78.24%

School Employees' Retirement System (TRS) Plan 2/3

Year End June 30,	2016	2017	2018	2019	2020	2021	2022
Charters Proportion of the Net Pension Liability (Asset)	0.016142%	0.024060%	0.055768%	0.056135%	0.031458%	0.020247%	0.018071%
Charter's Proportionate Share of the Net Pension Liability (Asset)	$ 221,673	$ 222,061	$ 251,021	$ 338,230	$ 483,189	$ (556,551)	$ (35,561)
Charter's Covered Payroll	$ 801,524	$ 1,319,194	$ 3,271,950	$ 3,747,222	$ 2,271,055	$ 1,516,197	$ 1,431,629
Charter's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	27.66%	16.83%	7.67%	9.03%	21.28%	-36.71%	-2.48%
Plan fiduciary net position as a percentage of the total pension liability	88.72%	93.14%	96.88%	96.36%	91.72%	113.72%	100.86%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See accompanying Notes to Required Supplementary Information.

RAINIER VALLEY LEADERSHIP ACADEMY
SCHEDULE OF SCHOOL CONTRIBUTIONS
YEAR ENDED AUGUST 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Public Employees' Retirement System (PERS) Plan 1

Year End June 30,	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	$ 30,980	$ 47,659	$ 95,384	$ 91,529	$ 50,254	$ 24,633	$ 28,585
Contributions in Relation to the Contractually Required Contribution	30,980	47,659	95,384	91,529	50,254	24,633	28,585
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 666,377	$ 999,138	$ 1,918,143	$ 1,792,055	$ 1,030,634	$ 506,632	$ 722,362
Contributions as a Percentage of Covered Payroll	4.65%	4.77%	4.97%	5.11%	4.88%	4.86%	3.96%

School Employees' Retirement System (SERS) Plan 2/3

Year End June 30,	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	$ 43,144	$ 66,243	$ 151,700	$ 232,472	$ 85,092	$ 41,802	$ 56,813
Contributions in Relation to the Contractually Required Contribution	43,144	66,243	72,606	232,472	85,092	41,802	56,813
Contribution Deficiency (Excess)	$ -	$ -	$ 79,094	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 666,377	$ 999,138	$ 1,918,143	$ 1,792,055	$ 1,030,634	$ 506,632	$ 722,362
Contributions as a Percentage of Covered Payroll	6.47%	6.63%	7.91%	12.97%	8.26%	8.25%	7.86%

Teachers' Retirement System (TRS) Plan 1

Year End June 30,	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	$ 47,857	$ 82,186	$ 228,024	$ 275,418	$ 164,475	$ 111,489	$ 92,769
Contributions in Relation to the Contractually Required Contribution	-	82,186	228,024	275,418	164,475	111,489	92,769
Contribution Deficiency (Excess)	$ 47,857	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 801,491	$ 1,319,294	$ 3,271,950	$ 3,747,222	$ 2,271,055	$ 1,516,197	$ 1,431,629
Contributions as a Percentage of Covered Payroll	5.97%	6.23%	6.97%	7.35%	7.24%	7.35%	6.48%

School Employees' Retirement System (TRS) Plan 2/3

Year End June 30,	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	$ 52,687	$ 88,650	$ 247,935	$ 293,408	$ 183,035	$ 122,529	$ 115,588
Contributions in Relation to the Contractually Required Contribution	52,687	88,650	247,935	293,408	183,035	122,529	115,588
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 801,524	$ 1,319,194	$ 3,271,950	$ 3,747,222	$ 2,271,055	$ 1,516,197	$ 1,431,629
Contributions as a Percentage of Covered Payroll	6.57%	6.72%	7.58%	7.83%	8.06%	8.08%	8.07%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See accompanying Notes to Required Supplementary Information.

NOTE 1 GENERAL FUND BUDGETARY COMPARISON SCHEDULE

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

NOTE 2 SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

The schedule presents information on the Academy's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the Academy. Accounting standards require calculation of the proportionate share of the pension liability based on the plan information for the previous year. In the future, as data becomes available, 10 years of information will be presented. All amounts are valued at June 30^{th}.

NOTE 3 SCHEDULE OF SCHOOL CONTRIBUTIONS

The schedule presents information on the Academy's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented. All amounts are valued at June 30^{th}.

SUPPLEMENTARY INFORMATION

RAINIER VALLEY LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED AUGUST 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Program Name	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL AWARDS			
U.S. Department of Education			
Pass-Through Program From Washington Office of Superintendent of Public Instruction:			
Every Student Succeeds Act:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	203394	$ 88,000
Title II, Part A, Improving Teacher Quality	84.367	524846	8,527
Title III - Ltd Eng Proficiency			3,487
Title IV, Part A, Academic Enrichment	84.424	460659	10,270
Title IV, 21st Century Community Learning Centers Program	84.287	991708	169,356
Special Education - IDEA Cluster	84.027	306801	99,910
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	130116	120,132
Total CARES Act:			120,132
Total: U.S. Department of Education			499,682
U.S. Department of Agriculture			
Pass-Through Program From Washington Office of Superintendent of Public Instruction:			
Child Nutrition Cluster:			
Basic School Breakfast Program	10.555	N/A	1,434
National School Lunch Program	10.553	N/A	10,212
National School Lunch Program - Emergency Operational Cost Reimbursement Program - COVID-19 Funding	10.553	N/A	614
Total: U.S. Department of Agriculture			12,260
Total Federal Expenditures			$ 511,942
STATE FINANCIAL ASSISTANCE			
Washington State Department of Education:			
Passed through Sponsor			$ 2,556,602
Total State Financial Assistance			$ 2,556,602

N/A - Not available

See accompanying Notes to Supplementary Information.

NOTE 1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal award activity of the Academy under programs of the federal governmental and state assistance for the year ended August 31, 2022. Because the schedule presents only a selected portion of operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Academy.

Federal awards reported on the schedule are reported on the accrual basis of accounting. 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.

OTHER INFORMATION

RAINIER VALLEY LEADERSHIP ACADEMY
LIST OF BOARD OF DIRECTORS AND THE ADMINISTRATORS - UNAUDITED
AUGUST 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

The board of directors and the administrators as of the year ended August 31, 2022 were as follows:

BOARD OF DIRECTORS

Member	Office
Joe Hailey	Board Chairperson
Will Wang	Secretary
Jeff Thiel	Member
Elijah Forde	Member
Carol Peoples	Member
Vivian Hsu	Member
Natalie Hester	Member
Maryam Mason	Member
Reco O. Bembry	Member

ADMINISTRATORS

Baionne Coleman	Chief Executive Officer and Principal
Chastity Catchings	Chief Operating Officer

INDEPENDENT AUDITORS' 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*

Board of Directors
Rainier Valley Leadership Academy
Seattle, Washington

We have audited, in accordance with the 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 general fund of Rainier Valley Leadership Academy (the Academy), as of and for the year ended as of August 31, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated February 28, 2023.

Report on Internal Control Over Financial Reporting

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

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

Board of Directors
Rainier Valley Leadership Academy

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of the Academy's 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
February 28, 2023

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

RAINIER VALLEY LEADERSHIP ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022

There were no financial statement findings in the prior year.