



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

June 6, 2024

Board of Directors
Rainier Prep
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 the Rainier Prep for the fiscal year ended August 31, 2023. 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, State Auditor
Olympia, WA

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RAINIER PREP

Financial Statements

For the Year Ended August 31, 2023

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Independent Auditor's Report

To the Board of Directors
Rainier Prep
Seattle, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the governmental activities and major fund of Rainier Prep as of and for the year ended August 31, 2023 and the related notes to the financial statements, which collectively comprise Rainier Prep's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities and major fund of Rainier Prep as of August 31, 2023, and the changes in financial position for the year then ended in conformity 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 Rainier Prep and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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, during the year ended August 31, 2023, Rainier Prep implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.



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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 Rainier Prep's ability to continue as a going concern for twelve months beyond the financial statements 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Rainier Prep'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 Rainier Prep'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, budgetary comparison information, and schedules related to the net pension liability on pages 4 through 7, and pages 28 through 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023, on our consideration of Rainier Prep'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 Rainier Prep'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 Rainier Prep's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
December 14, 2023

RAINIER PREP

Management's Discussion and Analysis August 31, 2023

Our discussion and analysis of Rainier Prep's financial performance provides an overview of Rainier Prep's financial activities for the fiscal year ended August 31, 2023. Readers should consider the information presented here in conjunction with additional information and notes furnished in all sections of this report.

Financial Highlights

- Rainier Prep's net position as of August 31, 2023, was \$2,930,842. Total assets and deferred outflows of resources were \$4,990,492.
- During the year, Rainier Prep had total revenues of \$5,709,847 and total expenses of \$5,864,198 resulting in a change in net position of \$(154,351).
- As of August 31, 2023, Rainier Prep has no outstanding debt.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to Rainier Prep's basic financial statements. Rainier Prep'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. Rainier Prep has elected to present combined government-wide and fund-basis financial statements because it has only one all-purpose governmental fund.

Government-Wide Financial Analysis

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

The statement of net position presents information on all of Rainier Prep'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 Rainier Prep is improving or deteriorating.

The statement of activities presents information showing how Rainier Prep'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.

RAINIER PREP

Management's Discussion and Analysis August 31, 2023

Government-Wide Financial Analysis (Continued)

The following is a summary of the statements of net position as of August 31:

	Governmental Activities	
	2023	2022
Assets:		
Current and other assets	\$ 3,338,838	\$ 3,555,804
Capital assets	919,494	52,612
Net pension asset	65,532	108,480
Total Assets	4,323,864	3,716,896
Deferred Outflows of Resources	666,628	665,456
Liabilities:		
Current liabilities	919,436	182,035
Long-Term Liabilities	407,635	30,525
Net pension liability	431,305	589,574
Total Liabilities	1,758,376	802,134
Deferred Inflows of Resources	301,274	495,025
Net Position:		
Investment in capital assets	247,189	5,013
Unrestricted	2,683,653	3,080,180
Net Position	\$ 2,930,842	\$ 3,085,193

Net position is an indicator of a government entity's financial position. Rainier Prep's assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$2,930,842. Of this total, a portion of net position is invested in capital assets (\$247,189) related to installation costs associated with the lease of portable classrooms.

A significant portion of total assets (\$4,323,864) is attributable to cash and cash equivalents (\$1,305,493) and investments (\$1,946,704). A significant portion of liabilities (\$1,758,376) is attributable to accounts payable (\$587,770) and pension related liabilities (\$431,305).

There is no restricted net position. The unrestricted net position of \$2,683,653 represents resources available to finance normal school activities without external constraints imposed by law through constitutional provisions or enabling legislation, laws, and regulations of other governments. The remaining portion of net position is represented by Rainier Prep's net investment of capital assets of \$247,189.

RAINIER PREP

Management's Discussion and Analysis August 31, 2023

Government-Wide Financial Analysis (Continued)

The following is a summary of the statements of activities for the years ended August 31:

	Governmental Activities	
	2023	2022
Revenues:		
Federal grants and contributions	\$ 1,323,718	\$ 1,740,856
State sources	4,342,227	4,448,499
Other	43,902	(90,092)
Total Revenues	5,709,847	6,099,263
Expenses-		
Personnel costs	3,932,381	3,797,873
School operations	216,752	197,960
Purchased services	1,340,299	1,198,069
Facilities	374,766	382,949
Total Expenditures	5,864,198	5,576,851
Change in net position	(154,351)	522,412
Net position, beginning of year	3,085,193	2,562,781
Net Position, End of year	\$ 2,930,842	\$ 3,085,193

Revenues

During this year of Rainier Prep's operations, the primary source of revenue was \$5,665,945 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 Rainier Prep. These expenses continue to grow Rainier Prep returns to normal operations after the pandemic.

Fund Financial Analysis

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

General Fund

The focus of Rainier Prep's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Rainier Prep'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, Rainier Prep's general fund reported an ending fund balance of \$2,668,669.

RAINIER PREP

Management's Discussion and Analysis August 31, 2023

Fund Financial Analysis (Continued)

Budget Variance Highlights Governmental Fund Revenues and Expenditures

Rainier Prep's charter contract with the Washington State Charter School Commission requires submission of a budget forecast for the following fiscal year on July 10. In 2023, Rainier Prep did not make any amendments to its original budget.

Revenues

Rainier Prep's actual revenues were short of budgeted revenues by approximately \$536,000. Rainier Prep was short on budgeted federal grants revenues by approximately \$1,437,000. However, Rainier Prep was able to secure fundraising from contributions by amounts in excess of budget of approximately \$742,000. Charter contract requirements prevent Rainier Prep from including a forecast of fundraising revenues for the year.

Expenses

In 2023 Rainier Prep's actual spending was consistent with budgeted expenses, only exceeding budget by approximately \$58,000.

Capital Assets

At August 31, 2023, Rainier Prep has a net capital assets of \$919,494 which is comprised of net leasehold improvements (\$247,189) related to modular structures added in 2017 and 2023, net leased equipment (\$543,511) added in 2022 and 2023 due to the adoption of GASB issued Statement No. 87, *Lease* and net subscription assets (\$128,794) added in 2023 due to the adoption of GASB issued No. 96, *Subscription-Based Information Technology Arrangements*.

Financial Outlook

Rainier Prep is well-positioned to continue successful financial and programmatic operations. The strong cash balance, continued full student enrollment, growing reputation in delivering excellent education, and established management systems will enable Rainier Prep's continued success.

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, customers, creditors, and other interested parties) with a general overview of Rainier Prep's finances and to demonstrate Rainier Prep's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Rainier Prep's Chief Financial Officer at 10211 12th Avenue S, Seattle, WA 98168.

RAINIER PREP

Statement of Net Position and General Fund Balance Sheet August 31, 2023

	General Fund	Adjustments	Statement of Net Position
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,305,493	\$ -	\$ 1,305,493
Investments	1,946,704		1,946,704
State apportionment receivable	10,652		10,652
Prepaid expenses and other	75,989		75,989
Total Current Assets	3,338,838		3,338,838
Noncurrent Assets:			
Capital assets, net		919,494	919,494
Net pension asset		65,532	65,532
Total Assets	3,338,838	985,026	4,323,864
Deferred Outflows of Resources:			
Deferred outflows of resources - pensions		666,628	666,628
Total Assets and Deferred Outflows of Resources	\$ 3,338,838	\$ 1,651,654	\$ 4,990,492
Liabilities			
Current Liabilities:			
Accounts payable	\$ 587,770	\$ -	\$ 587,770
Accrued wages and benefits	82,399		82,399
Current lease liability		205,624	205,624
Current subscription liability		43,643	43,643
Total Current Liabilities	670,169	249,267	919,436
Noncurrent Liabilities:			
Noncurrent lease liability		349,466	349,466
Noncurrent subscription liability		58,169	58,169
Net pension liability		431,305	431,305
Total Liabilities	670,169	1,088,207	1,758,376
Deferred Inflows of Resources:			
Deferred inflows of resources - pensions		301,274	301,274
Fund Balance:			
Nonspendable	75,988	(75,988)	
Unassigned	2,592,681	(2,592,681)	
Total Fund Balance	2,668,669	(2,668,669)	
Net Position:			
Net investment in capital assets		247,189	247,189
Unrestricted		2,683,653	2,683,653
Total Net Position		2,930,842	2,930,842
Total Liabilities, Deferred Inflows and Fund Balance/Net Position	\$ 3,338,838	\$ 1,651,654	\$ 4,990,492

See accompanying notes.

RAINIER PREP

Statement of Activities and General Fund Revenue, Expenditures and Changes in Fund Balance For the Year Ended August 31, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Operating Revenues:			
State apportionment - general purpose	\$ 3,305,740	\$ -	\$ 3,305,740
State apportionment - special purpose	1,036,487		1,036,487
Federal grants - special purpose	546,721		546,721
Contributions	776,997		776,997
Investment return	43,902		43,902
	<u>5,709,847</u>		<u>5,709,847</u>
Total Operating Revenues	5,709,847		5,709,847
Operating Expenses:			
Personnel - instructional	2,425,093		2,425,093
Personnel - administration	750,703		750,703
Personnel - taxes and benefits	1,066,829	(310,244)	756,585
School operations	243,735	(26,983)	216,752
Purchased services	1,340,299		1,340,299
Facilities	611,685	(236,919)	374,766
	<u>6,438,344</u>	<u>(574,146)</u>	<u>5,864,198</u>
Total Operating Expenses	6,438,344	(574,146)	5,864,198
Net Change in Fund Balance/Net Position	(728,497)	574,146	(154,351)
Fund balance/net position, beginning of year	<u>3,397,166</u>	<u>(311,973)</u>	<u>3,085,193</u>
Fund Balance/Net Position, End of Year	<u>\$ 2,668,669</u>	<u>\$ 262,173</u>	<u>\$ 2,930,842</u>

See accompanying notes.

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 1 - Summary of Significant Accounting Policies

Entity and Charter - Rainier Prep is organized as a nonprofit corporation providing public charter school education services authorized by Section 392 of the Washington Code.

Washington Code requires charter schools to comply with the same federal 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, Rainier Prep's basis of accounting and presentation follows the governmental, rather than nonprofit, reporting model.

Reporting Entity - The accompanying financial statements present the activities of Rainier Prep. Rainier Prep receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, Rainier Prep is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States. Board members are volunteers and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, Rainier Prep's reporting entity does not contain any component units.

Government-Wide and Fund Financial Statements - Combined government-wide and fund-basis financial statements have been presented, with eliminations and adjustments included as part of the statements. The government-wide financial statements include the financial activities of the overall government, whereas the fund financial statements provide information about specific funds with emphasis on major governmental funds. Rainier Prep has elected to present combined government-wide and fund-basis financial statements because it has only one all-purpose general governmental fund.

Basis of Presentation - Rainier Prep follows pronouncements issued by the Governmental Accounting Standards Board (GASB) in determining the reporting entity and component units. The financial reporting entity consists solely of Rainier Prep, 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 Rainier Prep's Board of Directors. The accounts of Rainier Prep 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.

Measurement Focus and Financial Statement Presentation -

Governmental Fund Financial Statements

Rainier Prep'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 or soon thereafter to pay liabilities of the current period.

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Notes to the Financial Statements For the Year Ended August 31, 2023

Note 1 - Continued

Governmental funds for Rainier Prep are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or within 60 days after year end and, therefore, available to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Government-Wide Financial Statements

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

The government-wide financial statements for Rainier Prep are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place. Revenue from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds (see Note 2).

Fund Balances/Net Position -

Fund balance of Rainier Prep is classified in the governmental fund financial statements as follows:

Nonspendable Fund Balance - Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be kept intact. Rainier Prep's nonspendable fund balance consists of prepaid expenses and supplies.

Restricted Fund Balance - Consists of amounts that are restricted for specific purposes. These restrictions are either (a) imposed externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed through constitutional provisions or enabling legislation. There were no restricted funds at August 31, 2023; therefore, this classification has not been presented.

Committed Fund Balance - Consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision-making authority (i.e., Board of Directors). These amounts cannot be used for any other purpose unless Rainier Prep removes or changes the specific use by taking the same type of action it used to commit those amounts. There were no committed funds at August 31, 2023; therefore, this classification has not been presented.

Assigned Fund Balance - Consists of amounts that are constrained by Rainier Prep intended to be used for specific purposes but are neither restricted nor committed. Intent can be expressed by the Board of Directors or by a principal if the Board of Directors delegates the authority. There were no assigned funds at August 31, 2023; therefore, this classification has not been presented.

Unassigned Fund Balance - Amounts available for any purpose.

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Notes to the Financial Statements For the Year Ended August 31, 2023

Note 1 - Continued

There is also no formal policy regarding the use of fund balances, as Rainier Prep has only maintained unassigned funds historically. However, moving forward, it is Rainier Prep's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, Rainier Prep considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

Net position of Rainier Prep is classified in three components for government-wide presentation:

Net Investment in Capital Assets - Consists of leasehold improvements, lease equipment and facilities, and subscription assets, net of accumulated amortization, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted - Consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Rainier Prep had \$0 in restricted net position at August 31, 2023.

Unrestricted - Consists of the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Rainier Prep first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Recent Accounting Pronouncement - GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, and therefore were implemented in the current fiscal year.

Cash and Cash Equivalents - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents presented on the government-wide and fund financial statements represent those held at one bank. Rainier Prep's deposits are substantially covered by federal depository insurance (FDIC). The balance in Rainier Prep's accounts may, from time to time, exceed the FDIC insurance limits throughout the year.

Investments - Investments in money market funds are recorded at amortized cost which is equivalent to market or fair value. Marketable securities are comprised of bond funds and fixed income exchange traded products (ETP) and are recorded at fair value. Fair value includes unrealized increases or decreases in value that may have occurred since the investment was acquired. Changes in value are recorded as revenues as they occur.

Prepaid Expenses and Supplies - Prepaid expenses and supplies balances are for payments made by Rainier Prep in the current year to provide services occurring in the subsequent year or for supplies to be used in the subsequent year. The reserve (nonspendable fund balance) for these balances has been recorded to signify that a portion of the fund balance is not available for other expenditures.

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 1 - Continued

Capital Assets and Amortization - Leasehold improvements purchased or acquired by Rainier Prep with a value over \$5,000 are recorded at cost. Contributed assets are recorded at fair value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Leased equipment included in capital assets consist of intangible right to use assets for leases that are not considered short term and have cash payments over the life of the lease in excess of \$5,000. Other costs incurred for repairs and maintenance are expensed as incurred. Amortization on leasehold improvements is calculated on the straight-line basis at the lesser of the useful life of the improvement or the term of the lease, resulting in estimated useful lives of three or four years.

Deferred Inflows and Outflows of Resources - In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred inflows or outflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows represent a use of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense) until that time.

Deferred Outflows: Pension - The deferred outflow of resources related to pensions resulted from Rainier Prep 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 Rainier Prep that is applicable to a future reporting period. The deferred inflows of resources related to pensions and are amortized to pension expense.

Revenues and Receivables - Entitlements and shared revenues (which include Washington State apportionments) 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 (which include federal grants from the Department of Education) 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. Contributions are recognized when all conditions have been met and, therefore, becomes unconditional.

State apportionment receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Based on prior experience, management has determined that expected losses on balances outstanding are immaterial at August 31, 2023. Accordingly, no allowance for doubtful accounts has been recorded.

RAINIER PREP

**Notes to the Financial Statements
For the Year Ended August 31, 2023**

Note 1 - Continued

Excess of Expenditures over Budget Appropriations - 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 August 31 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 (were less than) budgeted amount:

Personnel - instructional	\$ (82,485)
Personnel - taxes and benefits	397,062
Purchased services	276,756
Facilities	(533,874)

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.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - Rainier Prep is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has received a determination letter stating that it is exempt from federal income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of August 31, 2023, the carrying amount of Rainier Prep's deposits was \$1,305,493, and the respective bank balances totaled \$1,416,823. Of the total bank balance, \$250,000 as of August 31, 2023, was covered by federal depository insurance, with the remaining \$1,166,823. covered by Washington State Deposit Protection. No cash balances as of August 31, 2023, exposed to custodial credit risk. Rainier Prep does not have a formal policy limiting its exposure to custodial credit risk.

Note 2 - Adjustments and Eliminations

The fund-basis financial statements and the government-wide financial statements each use a different basis of accounting. The adjustments and eliminations presented on the financial statements represent the amounts needed to reconcile the fund-basis financial statements with the government-wide financial statements. The following is a brief description of the reconciling adjustments:

- The fund-basis financial statements report capital outlays as expenditures whereas in the government-wide financial statements, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation (or amortization) expense.

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 2 - Continued

- Lease liability and intangible right-to-use lease assets are not reported in the fund-basis statements. On the government-wide basis, the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.
- Subscription liability and intangible right-to-use subscription assets are not reported in the fund-basis statements. On the government-wide basis, the subscription liability at the present value of payments expected to be made during the lease term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription contract commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized using the straight-line basis over its useful life.
- Termination benefits (pension-related assets and obligations) are not beneficial or due and payable in the current period and, therefore, are not reported in the fund-basis statements. On the government-wide basis, these assets and liabilities are included as assets and liabilities on the statement of net position, and the change in the asset and liability from the prior fiscal year is reflected as an addition to or reduction of the current period's expense.

Reconciliation of Differences Between the Balance Sheet and the Statement of Net Position - Total fund balance of Rainier Prep'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.

Governmental Fund Balance Sheet/Statement of Net Position

Fund balance - government Funds	\$ 2,668,669
Capital assets - net	919,494
Net pension asset	65,532
Lease liability	(555,090)
Subscription liability	(101,812)
Net pension liability	(431,305)
Deferred inflows and outflows related to pensions	365,354
Net Position - Government Wide	<u>\$ 2,930,842</u>

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 2 - Continued

Reconciliation of Differences Between the Statement of Revenue, 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.

Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance/Statement of Activities

Change in fund balance - general fund	\$ (728,497)
Purchase of capital assets	980,246
Amortization of capital assets	(113,364)
Lease liability additions	(555,551)
Subscription liability additions	(126,823)
Lease principal payments	54,382
Subscription principal payments	25,012
Pension benefit related to the changes in deferred outflows, net pension asset/liability, and deferred inflows	<u>310,244</u>
Change in Net Position - Government Wide	<u><u>\$ (154,351)</u></u>

Note 3 - Capital Assets

The changes in capital assets of Rainier Prep are as follows:

	Balance August 31, 2022	Additions	Retirements	Transfers	Balance August 31, 2023
Leasehold improvements	\$ 260,216	\$ 246,472	\$ -	\$ -	\$ 506,688
Leased equipment and facilities	78,031	555,551			633,582
Subscription assets		178,223			178,223
Less accumulated depreciation	(255,203)	(4,296)			(259,499)
Less accumulated amortization on leased assets	(30,432)	(59,639)			(90,071)
Less accumulated amortization on subscription assets		(49,429)			(49,429)
Net Capital Assets	<u><u>\$ 52,612</u></u>	<u><u>\$ 866,882</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 919,494</u></u>

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 4 - Investments and Fair Value

Investments are recorded at fair value and consist of the following at August 31, 2023:

	Fair Value	Total Portfolio
Money market funds	\$ 48,381	2.49%
Bond funds	1,797,513	92.34%
Exchange traded products - fixed income	100,810	5.18%
	<u><u>\$ 1,946,704</u></u>	<u><u>100.00%</u></u>

Investments are subject to the following risks.

Interest Rate Risk - Interest rate risk is the risk Rainier Prep may face should interest rate variances affect the fair value of investments. Rainier Prep does not have a formal policy that addresses interest rate risk.

Credit Risk - Credit risk is the risk that an issuer of the counterparty to an investment will not fulfill its obligation. Rainier Prep does not have a formal policy that addresses credit risk.

Note 5 - Pensions

The following table represents the aggregate pension amounts for all plans for the year ended August 31, 2023:

	Aggregate Pension Amounts All Plans
Pension Liabilities	\$ (431,305)
Pension Assets	65,532
Deferred outflows of resources	666,628
Deferred inflows of resources	(301,274)
Pension expense/expenditures	(419,317)

State Sponsored Pension Plans - Substantially all of Rainier Prep's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 5 - Continued

Public Employees' Retirement System (PERS) - PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

Plan 1 is closed to new entrants. Rainier Prep does not have any members or share of liability in Plan 2 or 3.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent 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 active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty 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. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

SERS - SERS is a cost-sharing multiple-employer retirement system established in 1998. The plan became effective in 2000. SERS retirement benefit provisions are established in Chapters 41.34 and 41.35 RCW and 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. 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 the Plan 2 and 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 members AFC multiplied by the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the monthly average of the members 60 highest-paid consecutive service months before retirement, termination, or death. There is no cap on years of service credit. Retirement before age 65 is considered an early retirement. SERS members who have 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 a factor that varies according to each year before age 65, or with a benefit that had a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 5 - Continued

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 a cost-sharing multiple-employer retirement system established in 1938; its retirement benefits provisions are contained in Chapters 41.31 and 41.34 RCW. It is composed 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.

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 and is closed to new entrants. 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 plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, plan 2/3 is considered to a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability, and death benefits. TRS Plan 1 members are vested after the completion of five years of eligibility service. Retirement benefits are determined as 2% of the AFC, for each year of service credit, up to a maximum of 60% divided by twelve. 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 COLA, and a 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 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 age 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.

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 5 - Continued

Contributions - The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

<u>Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee *</u>
January - August 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%
September - December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
	10.39%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

Rainier Prep's actual PERS plan contributions were \$27,178 to PERS Plan 1 and \$0 to PERS Plan 2/3 for the year ended August 31, 2023.

Actuarial Assumptions - The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- 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%.

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 5 - Continued

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. 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. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate - The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' 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 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return - The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 5 - Continued

Estimated Rates of Return by Asset Class - The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return Arithmetic
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%
	100.00%	

Sensitivity of the Net Pension Liability/(Asset) - The table below presents Rainer Prep's proportionate share* of the net pension liability calculated using the discount rate of 7%, as well as what Rainier Prep proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease -6%	Current Discount Rate -7%	1% Increase -8%
PERS 1	\$ 127,407	\$ 91,195	\$ 59,591
SERS 2/3	265,264	(32,498)	(277,921)
TRS 1	517,706	340,110	184,869
TRS 2/3	1,066,603	(33,034)	(927,022)

* See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.

Pension Plan Fiduciary Net Position - Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 5 - Continued

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

At June 30, 2022, Rainier Prep reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 91,195
SERS 2/3	(32,498)
TRS 1	340,110
TRS 2/3	(33,034)

At June 30, Rainier Prep's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share June 30, 2022	Proportionate Share June 30, 2023	Change in Proportion
PERS 1	0.004009%	0.003995%	0.0000%
SERS 2/3	0.021794%	0.022703%	-0.0009%
TRS 1	0.025131%	0.026854%	-0.0017%
TRS 2/3	0.025373%	0.026897%	-0.0015%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

Pension Expense -

For the year ended August 31, 2023, Rainier Prep recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 27,178
SERS 2/3	56,223
TRS 1	147,465
TRS 2/3	188,450
	<u>\$ 419,316</u>

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 5 - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources -

At August 31, 2023, Rainier Prep reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>PERS 1</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments		10,287
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
	<u>\$ -</u>	<u>\$ 10,287</u>
<u>SERS 2/3</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 81,095	\$ -
Net difference between projected and actual investment earnings on pension plan investments		50,750
Changes of assumptions	55,267	1,898
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	19,813	
	<u>\$ 156,175</u>	<u>\$ 52,648</u>

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 5 - Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
TRS 1		
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments		49,236
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
	<u>\$ -</u>	<u>\$ 49,236</u>
TRS 2/3		
Differences between expected and actual experience	\$ 287,659	\$ 4,654
Net difference between projected and actual investment earnings on pension plan investments		158,441
Changes of assumptions	262,419	26,007
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
	<u>\$ 550,078</u>	<u>\$ 189,102</u>

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 5 - Continued

Deferred outflows of resources related to pensions resulting from Rainier Prep's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ending December 31,	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2024	\$ (6,999)	\$ 886	\$ (34,407)	\$ (36,682)
2025	(8,802)	(9,877)	(43,498)	(61,452)
2026	5,427	57,441	27,799	162,167
2027	87	23,656	869	70,755
2028		10,682		68,303
Thereafter		925		157,885
	<u>\$ (10,287)</u>	<u>\$ 83,713</u>	<u>\$ (49,237)</u>	<u>\$ 360,976</u>

Required Supplementary Information (RSI) - All Cost-Sharing Employers - See RSI requirements at RSI Pension Plan Information.

Note 6 - Leases

Rainier Prep is a lessee for noncancelable leases. The Rainier Prep recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, Rainier Prep initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements related to lease include how Rainier Prep determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- Rainier Prep uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, Rainier Prep generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that Rainier Prep is reasonably certain to exercise.

RAINIER PREP

Notes to the Financial Statements For the Year Ended August 31, 2023

Note 6 - Continued

Rainier Prep monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Included in facility expenses for the year ended August 31, 2023, is rent of equipment and facilities which lasts through June 2026. Payments on the agreements are monthly.

The total minimum rent commitment for the noncancelable operating lease is as follows:

For the Year Ending August 31,	Principal	Interest	Total
2024	\$ 205,694	\$ 27,807	\$ 233,501
2025	185,892	15,912	201,804
2026	163,504	4,562	168,066
	<u>\$ 555,090</u>	<u>\$ 48,281</u>	<u>\$ 603,371</u>

Note 7 - Subscription Based Information Technology Arrangements (SBITA)

Rainier Prep has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. Rainier Prep is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs.

The future principal and interest SBITA payments as of fiscal year end are as follows:

For the Year Ending August 31,	Principal	Interest	Total
2024	\$ 43,643	\$ 4,898	\$ 48,541
2025	34,090	2,528	36,618
2026	24,079	681	24,760
	<u>\$ 101,812</u>	<u>\$ 8,107</u>	<u>\$ 109,919</u>

Note 8 - Risk Management

Rainier Prep is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Rainier Prep purchases commercial insurance coverage to mitigate such risks.

Rainier Prep, in the normal course of its activities, may be involved in claims and pending litigation. In the opinion of management, the disposition of these matters are not expected to have a material adverse effect on Rainier Prep general purpose financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RAINIER PREP

Budgetary Comparison Schedule - General Fund For the Year Ended August 31, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
Operating Revenues:				
State apportionment - general purpose	\$ 3,163,195	\$ 3,163,195	\$ 3,305,740	\$ 142,545
State apportionment - special purpose	1,063,309	1,063,309	1,036,487	(26,822)
Federal grants - special purpose	1,983,809	1,983,809	546,721	(1,437,088)
Contributions	35,400	35,400	776,997	741,597
Investment return			43,902	43,902
Total Operating Revenues	6,245,713	6,245,713	5,709,847	(535,866)
Operating Expenses:				
Personnel - instructional	2,507,578	2,507,578	2,425,093	(82,485)
Personnel - administration	728,963	728,963	750,703	21,740
Personnel - taxes and benefits	669,767	669,767	1,066,829	397,062
School operations	264,836	264,836	243,735	(21,101)
Purchased services	1,063,543	1,063,543	1,340,299	276,756
Facilities	1,145,559	1,145,559	611,685	(533,874)
Total Operating Expenses	6,380,246	6,380,246	6,438,344	58,098
Net Change in Fund Balance	\$ (134,533)	\$ (134,533)	\$ (728,497)	\$ (593,964)

See independent auditor's report.

RAINIER PREP

Schedules of Proportionate Share of the Net Pension Liability For the Year Ended August 31, 2023

	2023	2022	2021	2020	2019	2018	2017
PERS 1:							
Employer's proportion of the net pension liability (asset)	0.003995%	0.004009%	0.003103%	0.000032%	0.003242%	0.002061%	0.001787%
Employer's proportionate share of the net pension liability (asset)	\$ 91,195	\$ 111,625	\$ 37,890	\$ 114,450	\$ 124,741	\$ 92,040	\$ 84,786
Covered payroll	708,100	663,536	476,254	487,697	454,825	277,364	225,324
Employer's proportionate share of the net pension liability as a percentage of covered payroll	12.88%	16.82%	7.96%	23.47%	27.43%	33.18%	37.63%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%
SERS 2/3:							
Employer's proportion of the net pension liability (asset)	0.022703%	0.021794%	0.018566%	0.018613%	0.018791%	0.012477%	0.011029%
Employer's proportionate share of the net pension liability (asset)	\$ (32,498)	\$ (58,550)	\$ (200,364)	\$ 114,450	\$ 44,065	\$ 37,315	\$ 54,427
Covered payroll	708,100	663,536	476,254	487,697	454,825	277,364	225,324
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-4.59%	-8.82%	-42.07%	23.47%	9.69%	13.45%	24.15%
Plan fiduciary net position as a percentage of the total pension liability	101.54%	103.17%	114.15%	68.64%	96.31%	94.77%	90.79%
TRS 1:							
Employer's proportion of the net pension liability (asset)	0.026854%	0.025131%	0.022515%	0.021717%	0.023869%	0.022617%	0.016661%
Employer's proportionate share of the net pension liability (asset)	\$ 340,110	\$ 477,949	\$ 151,590	\$ 523,108	\$ 590,951	\$ 660,557	\$ 503,707
Covered payroll	2,289,782	2,059,732	1,676,950	1,582,790	1,609,790	1,340,067	935,843
Employer's proportionate share of the net pension liability as a percentage of covered payroll	14.85%	23.20%	9.04%	33.05%	36.71%	49.29%	53.82%
Plan fiduciary net position as a percentage of the total pension liability	85.09%	78.24%	91.42%	92.45%	70.55%	66.52%	65.58%
TRS 2/3:							
Employer's proportion of the net pension liability (asset)	0.026897%	0.025373%	0.022584%	0.022070%	0.024115%	0.023007%	0.017096%
Employer's proportionate share of the net pension liability (asset)	\$ (33,034)	\$ (49,931)	\$ (620,797)	\$ 338,998	\$ 145,302	\$ 103,556	\$ 157,533
Covered payroll	2,289,792	2,059,732	1,676,950	1,582,790	1,609,790	1,340,067	935,843
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-1.44%	-2.42%	-37.02%	21.42%	9.03%	7.73%	16.83%
Plan fiduciary net position as a percentage of the total pension liability	100.49%	100.86%	113.72%	70.55%	91.72%	96.88%	93.14%

See independent auditor's report.

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Schedules of Contributions of the Net Pension Liability For the Year Ended August 31, 2023

	2023	2022	2021	2020	2019	2018	2017
PERS 1:							
Statutorily or contractually required contributions	\$ 27,178	\$ 24,617	\$ 23,111	\$ 23,494	\$ 23,260	\$ 13,776	\$ 10,748
Contributions in relation to the statutorily or contractually required contributions	27,178	24,617	23,111	23,494	23,260	13,776	10,748
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 708,100	\$ 663,536	\$ 476,254	\$ 487,697	\$ 454,825	\$ 277,364	\$ 225,324
Contributions as a percentage of covered payroll	3.84%	3.71%	4.85%	4.82%	5.11%	4.97%	4.77%
SERS 2/3:							
Statutorily or contractually required contributions	\$ 56,223	\$ 52,685	\$ 39,291	\$ 40,250	\$ 37,614	\$ 21,828	\$ 14,939
Contributions in relation to the statutorily or contractually required contributions	56,223	52,685	39,291	40,250	37,614	21,828	14,939
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 708,100	\$ 663,536	\$ 476,254	\$ 487,697	\$ 454,825	\$ 277,364	\$ 225,324
Contributions as a percentage of covered payroll	7.94%	7.94%	8.25%	8.25%	8.27%	7.87%	6.63%
TRS 1:							
Statutorily or contractually required contributions	\$ 147,465	\$ 127,497	\$ 123,744	\$ 114,045	\$ 118,540	\$ 94,064	\$ 58,303
Contributions in relation to the statutorily or contractually required contributions	147,465	127,497	123,744	114,045	118,540	94,064	58,303
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,289,792	\$ 2,059,732	\$ 1,676,950	\$ 1,582,790	\$ 1,609,790	\$ 1,340,067	\$ 935,843
Contributions as a percentage of covered payroll	6.44%	6.19%	7.38%	7.21%	7.36%	7.02%	6.23%
TRS 2/3:							
Statutorily or contractually required contributions	\$ 188,450	\$ 169,516	\$ 136,672	\$ 128,415	\$ 126,046	\$ 102,283	\$ 62,889
Contributions in relation to the statutorily or contractually required contributions	188,450	169,516	136,672	128,415	126,046	102,283	62,889
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,289,792	\$ 2,059,732	\$ 1,676,950	\$ 1,582,790	\$ 1,609,790	\$ 1,340,067	\$ 935,843
Contributions as a percentage of covered payroll	8.23%	8.23%	8.15%	8.11%	7.83%	7.63%	6.72%

See independent auditor's report.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditor's Report

**To the Board of Directors
Rainier Prep
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 Rainier Prep, which comprise the statement of net position and general fund balance sheet as of August 31, 2023, and the related statements of activities and general fund revenues, expenditures, and changes in fund balance, for the year then ended, and the related notes to the financial statements, which collectively comprise Rainier Prep's basic financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rainier Prep'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rainier Prep's internal control. Accordingly, we do not express an opinion on the effectiveness of Rainier Prep's internal control.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rainier Prep's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Rainier Prep'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.

Clark Nuber P.S.

Certified Public Accountants
December 14, 2023