



## Office of the Washington State Auditor Pat McCarthy

June 17, 2024

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

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

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the Impact Public Schools – Salish Sea Elementary for the fiscal year ended August 31, 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 or the Impact Public Schools – Salish Sea Elementary's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

### ***Americans with Disabilities***

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Financial Statements  
August 31, 2023

# Impact Public Schools

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## Independent Auditor's Report

The Board of Directors  
Impact Public Schools  
Tukwila, Washington

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Impact Public Schools as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Impact Public Schools as of August 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Adoption of New Accounting Standard***

As discussed in Note 1 to the financial statements, Impact Public Schools has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended August 31, 2023. There was no restatement of beginning fund balance or net position as of September 1, 2022. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact | Puget Sound Elementary, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact | Salish Sea Elementary, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact | Commencement Bay Elementary, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact | Black River Elementary, the Schedule of Employer's Share of Net Pension Liability (Asset), the Schedule of Employer's Contributions, and the Notes to Required Supplemental Information as listed in the table of contents 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Impact Public Schools' basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2024, on our consideration of Impact Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Impact Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Impact Public Schools' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Spokane, Washington  
February 12, 2024

## **Overview**

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. Impact Public Schools' MD&A presents an overview of its financial condition and results of operations for the fiscal years ended August 31, 2023 and 2022. The MD&A's purpose is to aid readers in understanding the accompanying financial statements through analysis of the Impact Public Schools' financial activities based on currently known facts and conditions. This MD&A should be read in conjunction with the accompanying financial statements and footnote disclosures.

## **Financial Highlights**

In fiscal year 2023, net change in fund balances in the governmental funds was \$13,000 compared to \$3,037,000 in fiscal year 2022. Governmental fund balance as of August 31, 2023, was \$9,507,000 compared to \$9,494,000 as of August 31, 2022.

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

## **Government-Wide Financial Analysis**

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

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

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

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



## Statement of Net Position

The following is a summary of the statement of net position as of August 31, 2023 and 2022:

	2023	2022	Change
Current Assets	\$ 13,550,817	\$ 10,866,310	\$ 2,684,507
Capital and Right-Of-Use Assets	46,662,602	32,417,890	14,244,712
Net Pension Asset	274,672	357,970	(83,298)
<b>Total Assets</b>	<b>60,488,091</b>	<b>43,642,170</b>	<b>16,845,921</b>
Deferred Outflows of Resources	2,891,065	2,236,195	654,870
Current Liabilities	14,586,082	1,660,271	12,925,811
Long-Term Liabilities	32,860,716	31,818,481	1,042,235
Net Pension Liability	1,552,092	1,648,502	(96,410)
<b>Total Liabilities</b>	<b>48,998,890</b>	<b>35,127,254</b>	<b>13,871,636</b>
Deferred Inflows of Resources	1,523,808	1,562,910	(39,102)
Net Position			
Invested in capital assets	3,310,064	381,761	2,928,303
Restricted	9,909,547	6,856,092	3,053,455
Unrestricted	(363,153)	1,950,348	(2,313,501)
<b>Total Net Position</b>	<b>\$ 12,856,458</b>	<b>\$ 9,188,201</b>	<b>\$ 3,668,257</b>

Assets include Impact Public Schools' cash, accounts receivable, prepaid expenses, capital and right-of-use assets, and net pension asset. Total assets increased \$16,846,000 primarily due to an overall increase in capital and right-of-use assets of \$14,245,000 in 2023, driven primarily by the addition of the new Impact | Black River Elementary building. There was also an increase of current assets of \$2,685,000, primarily consisting of cash growth from strong operations. Management expects assets to increase moving forward as Impact Public Schools continues to grow.

Liabilities include payroll and related liabilities, amounts payable to vendors for goods and services, advanced revenues that have not yet met the eligibility requirement, lease obligations and long-term debt including accrued interest, and net pension liability. Total liabilities increased approximately \$13,872,000 from prior year, driven primarily by an increase in debt obligations of \$11,344,000 and accounts payable of \$2,385,000.

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

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

## Statement of Activities

The following is a summary of the statement of activities for the years ended August 31, 2023 and 2022:

	2023	2022	Change
Revenues			
Operating grants and contributions	\$ 8,572,906	\$ 9,075,461	\$ (502,555)
State sources	17,212,051	14,457,703	2,754,348
Other	165,552	56,630	108,922
Total revenues	<u>25,950,509</u>	<u>23,589,794</u>	<u>2,360,715</u>
Expenditures			
Instruction	17,408,720	14,432,757	2,975,963
Support services	3,524,299	4,172,453	(648,154)
Interest expense	1,349,233	1,351,663	(2,430)
Other	-	60,628	(60,628)
Total expenditures	<u>22,282,252</u>	<u>20,017,501</u>	<u>2,264,751</u>
Change in Net Position	<u>\$ 3,668,257</u>	<u>\$ 3,572,293</u>	<u>\$ 95,964</u>

Revenues include operating grants and contributions, state sources revenues, and other miscellaneous revenues. Operating grants consist of special purpose grants from the State, as well as the Washington State Charter School System and other private grantors, which decreased in 2023 by \$503,000. Revenue from state sources, including pass-through federal funds, increased \$2,754,000 over 2022, as Impact Public Schools continues its growth. Other revenues increased \$109,000 in 2023.

Expenditures are separated into instructions and support services. Instruction relates to the primary teaching mission of Impact Public Schools while support services include administrative and other operating costs. Instruction expenditures increased \$2,976,000 and support services decreased \$648,000 over 2022. The increase in headcount continues to require a strong system to support the overall needs of Impact Public Schools. Management expects overall costs to continue to grow with Impact Public Schools.

## Fund Financial Statements

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

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

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

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

Fund balance in the governmental funds as of August 31, 2023, was \$9,507,000 compared to \$12,856,000 in Governmental Activities. This difference is primarily due to capital and right-of-use assets, offset by long-term liabilities including lease obligations, and the pension asset/liability and related deferred inflow and outflows, which are not included in modified accrual accounting.

Changes in fund balances for the governmental funds for the year ended August 31, 2023, was \$13,000 compared to \$3,668,000 in Governmental Activities. This difference is primarily due to the capital asset expenditures and repayment of long-term liabilities, which are treated as expenses in the governmental funds, offset by loan proceeds, which is treated as revenues in the governmental funds.

### Capital Assets

	2023	2022	Change
Land	\$ 1,925,000	\$ 1,925,000	\$ -
Construction in Progress	-	960,913	(960,913)
Buildings and Improvements	25,355,224	9,749,571	15,605,653
Furniture and Equipment	1,241,259	652,891	588,368
Right-of-Use Land	1,500,000	1,500,000	-
Right-of-Use Buildings	19,108,617	19,108,617	-
Right-of-Use Copiers	87,741	38,322	49,419
Right-of-Use Subscription IT Assets	177,497	-	177,497
	49,395,338	33,935,314	15,460,024
Less Accumulated Depreciation and Amortization	(2,732,736)	(1,517,424)	(1,215,312)
	<u>\$ 46,662,602</u>	<u>\$ 32,417,890</u>	<u>\$ 14,244,712</u>

As of August 31, 2023 and 2022, Impact Public Schools had approximately \$46,663,000 and \$32,418,000, respectively, invested in capital and right-of-use assets, net of accumulated depreciation and amortization. More detailed information about Impact Public Schools' capital and right-of-use assets is presented in Note 4 and Note 5 to the financial statements.

### **Long-Term Liabilities**

Total long-term liabilities consisting of lease obligations and long-term debt as of August 31, 2023 and 2022, was \$43,353,000 and \$32,065,000, respectively. The outstanding amount at August 31, 2023 consists of lease obligations for the school locations, as well as long-term note agreements. Additional information on Impact Public Schools' long-term liabilities can be found in Note 6 and Note 7 to the financial statements.

### **Budgetary Highlights**

The Board of Directors adopts the annual operating budget for Impact Public Schools effective September 1<sup>st</sup>, consistent with the upcoming school year. For 2023, Impact Public Schools submitted a budget for Impact | Puget Sound Elementary, Impact | Salish Sea Elementary, and Impact | Commencement Bay Elementary. No budget was submitted to the state for Impact | Black River Elementary, as it was not yet open to students. However Impact Public Schools created an internal budget.

The total final budget for Impact | Puget Sound Elementary for 2023 revenue was approximately \$9,742,000 of which \$9,623,000 was state and federal sources. Final revenues were \$10,521,000, with state and federal sources being \$836,000 above budget. Instructional expenditures were approximately \$51,000, and support services were approximately \$342,000 under budget due to conservative spending in the fund, allowing for additional funds to be transferred out to support the other funds.

The total final budget for Impact | Salish Sea Elementary for 2023 revenue was approximately \$5,950,000 of which \$5,570,000 was state and federal sources. Final revenues were \$6,111,000, with state and federal sources being \$507,000 above budget, and other contributions being \$380,000 under budget. Instructional expenditures were approximately \$718,000 below budget and support services were approximately \$314,000 below budget due to conservative spending in the fund, allowing for additional funds to be transferred out to support the other funds.

The total final budget for Impact | Commencement Bay Elementary for 2023 revenue was approximately \$5,773,000 of which \$5,492,000 was state and federal sources. Final revenues were \$6,666,000, with state and federal sources being \$811,000 above budget. Instructional expenditures were approximately \$385,000 below budget and support services were approximately \$180,000 below budget due to conservative spending in the fund, allowing for additional funds to be transferred out to support the other funds.

The total final budget for Impact | Black River Elementary for 2023 revenue was approximately \$1,250,000 of which \$200,000 was state and federal sources. Final revenues were \$739,000, with state and federal sources being \$539,000 above budget, and other contributions being \$1,050,000 under budget. Instructional expenditures were approximately \$297,000 below budget and support services were approximately \$368,000 above budget.

## **Economic Outlook**

Impact Public Schools is well positioned to continue successful financial and programmatic operations. A strong cash position, continued full student enrollment, a growing reputation for delivering excellent education, and established management systems will enable continued success. Overall, Impact Public Schools saw an increase in student enrollment in the 2023 School Year and continue to utilize strategic student and community outreach to keep enrollment stabilized. Construction for the fourth school, Impact | Black River Elementary was completed in August 2023 with a successful school launch for the 2024 School Year.

Leadership is committed to identifying areas to improve the programming based on scholars' needs. In particular, Impact Public Schools is seeing an increase in students experiencing housing insecurities as well as scholars needing Special Education services. Financial resources are allocated to meet these needs with an eye on identifying additional funding opportunities and community partnerships to improve student outcomes.

Impact Public Schools  
Statement of Net Position  
August 31, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 12,633,476
Accounts receivable	774,265
Prepaid expenses	143,076
Capital assets, net	27,136,794
Right-of-use leased assets, net	19,353,241
Right-of-use subscription IT assets, net	172,567
Net pension asset	274,672
	<u>60,488,091</u>
Total assets	
Deferred Outflows of Resources	
Relating to Pensions	<u>2,891,065</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 63,379,156</u>
Liabilities	
Accounts payable	\$ 3,333,170
Accrued expenses	152,813
Advanced revenue	557,500
Accrued interest	50,777
Long-term debt, due within one year	366,252
Lease obligations, due within one year	10,125,570
Long-term debt	22,480,032
Lease obligations	10,380,684
Net pension liability	1,552,092
	<u>48,998,890</u>
Total liabilities	
Deferred Inflows of Resources	
Relating to Pensions	<u>1,523,808</u>
Net Position	
Net investment in capital assets	3,310,064
Restricted	
Net pension asset	1,851,328
Schools	8,058,219
Unrestricted	(363,153)
	<u>12,856,458</u>
Total net position	
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 63,379,156</u>

Impact Public Schools  
Statement of Activities  
Year Ended August 31, 2023

Functions / Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue Changes in Net Position
Governmental Activities			
Instruction	\$ 17,408,720	\$ 3,881,185	\$ (13,527,535)
Support services	3,524,299	4,691,721	1,167,422
Interest	1,349,233	-	(1,349,233)
	<u>\$ 22,282,252</u>	<u>\$ 8,572,906</u>	<u>(13,709,346)</u>
	General Revenues		
	State sources		17,212,051
	Other revenue		165,552
			<u>3,668,257</u>
	Change in Net Position		3,668,257
	Net Position, Beginning of Year		<u>9,188,201</u>
	Net Position, End of Year		<u>\$ 12,856,458</u>

**Impact Public Schools**  
Balance Sheet – Governmental Funds  
August 31, 2023

	General Fund	Puget Sound Elementary	Salish Sea Elementary	Commencement Bay Elementary	Black River Elementary	Debt Service	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 3,205,846	\$ 4,690,365	\$ 2,215,034	\$ 1,903,793	\$ 3,948	\$ 614,490	\$ 12,633,476
Accounts receivable	-	78,151	45,871	81,061	569,182	-	774,265
Prepaid expenses	4,000	-	28,000	38,050	-	73,026	143,076
Due from other funds	639,982	8,400	-	-	2,552	-	650,934
<b>Total assets</b>	<b>\$ 3,849,828</b>	<b>\$ 4,776,916</b>	<b>\$ 2,288,905</b>	<b>\$ 2,022,904</b>	<b>\$ 575,682</b>	<b>\$ 687,516</b>	<b>\$ 14,201,751</b>
<b>Liabilities</b>							
Accounts payable	\$ 78,425	\$ 499,759	\$ 129,250	\$ 139,243	\$ 206,224	\$ 2,280,269	\$ 3,333,170
Accrued expenses	33,995	39,745	19,714	21,015	8,344	30,000	152,813
Advanced revenue	557,500	-	-	-	-	-	557,500
Due to other funds	-	139,135	54,529	29,730	253,450	174,090	650,934
<b>Total liabilities</b>	<b>669,920</b>	<b>678,639</b>	<b>203,493</b>	<b>189,988</b>	<b>468,018</b>	<b>2,484,359</b>	<b>4,694,417</b>
<b>Fund Balance</b>							
Nonspendable	4,000	-	28,000	38,050	-	73,026	143,076
Restricted	-	4,098,277	2,057,412	1,794,866	107,664	-	8,058,219
Unassigned	3,175,908	-	-	-	-	(1,869,869)	1,306,039
<b>Total fund balance</b>	<b>3,179,908</b>	<b>4,098,277</b>	<b>2,085,412</b>	<b>1,832,916</b>	<b>107,664</b>	<b>(1,796,843)</b>	<b>9,507,334</b>
<b>Total liabilities and fund balance</b>	<b>\$ 3,849,828</b>	<b>\$ 4,776,916</b>	<b>\$ 2,288,905</b>	<b>\$ 2,022,904</b>	<b>\$ 575,682</b>	<b>\$ 687,516</b>	<b>\$ 14,201,751</b>



Impact Public Schools

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

August 31, 2023

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Total fund balance - total governmental funds	\$ 9,507,334
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital and right-of-use assets used in governmental activities are not financial resources and therefore, are not reported in the funds. These assets consist of the following:	
Cost of capital assets	28,521,483
Accumulated depreciation	(1,384,689)
Right-of-use assets	20,873,855
Accumulated amortization	(1,348,047)
Net pension asset is a long-term asset which is not recongized on the governmental statements.	274,672
Deferred outflows of resources related to pension accruals not reported in the funds.	2,891,065
Long-term liabilities, applicable to governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of the:	
Long-term debt	(21,379,343)
Accrued interest	(50,777)
Bond Premium	(1,466,941)
Lease obligations	(20,506,254)
Net pension liability	(1,552,092)
Deferred inflows of resources related to pension accruals not reported in the funds.	<u>(1,523,808)</u>
Total net position of governmental activities	<u><u>\$ 12,856,458</u></u>

**Impact Public Schools**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**  
**Year Ended August 31, 2023**

	General Fund	Puget Sound Elementary	Salish Sea Elementary	Commencement Bay Elementary	Black River Elementary	Debt Service	Total Governmental Funds
<b>Revenues</b>							
State apportionment	\$ -	\$ 9,612,638	\$ 5,397,680	\$ 5,335,985	\$ -	\$ -	\$ 20,346,303
Federal grants and contracts	-	846,407	678,733	967,066	739,166	-	3,231,372
Contributions	1,531,688	61,125	965	339,930	-	273,574	2,207,282
Other income	368	557	33,689	22,913	25	108,000	165,552
<b>Total revenues</b>	<b>1,532,056</b>	<b>10,520,727</b>	<b>6,111,067</b>	<b>6,665,894</b>	<b>739,191</b>	<b>381,574</b>	<b>25,950,509</b>
<b>Expenditures</b>							
<b>Instructional</b>							
Regular education	3,408,979	3,795,611	1,732,598	1,853,071	290,169	76,870	11,157,298
Special education	-	859,981	480,989	369,566	-	-	1,710,536
Compensatory education	-	1,140,950	595,209	642,587	-	-	2,378,746
Other	-	254,419	398,188	728,439	358,432	-	1,739,478
<b>Total instructional</b>	<b>3,408,979</b>	<b>6,050,961</b>	<b>3,206,984</b>	<b>3,593,663</b>	<b>648,601</b>	<b>76,870</b>	<b>16,986,058</b>
<b>Support services</b>							
District-wide support	720,964	243,666	643,771	320,270	20,990	-	1,949,661
School food services	-	333,936	261,406	194,257	4,687	-	794,286
Pupil transportation	-	316,718	123,890	254,178	-	-	694,786
Debt service payments - principle	-	-	-	-	-	117,393	117,393
Debt service payments - interest	-	-	-	-	-	385,681	385,681
Capital outlay	11,887	667,060	134,050	105,594	360,119	14,131,895	15,410,605
Lease payments - principle	-	6,802	-	237,031	-	-	243,833
Lease payments - interest	-	787	476,741	410,189	-	-	887,717
Capital outlay - leases	-	32,123	-	-	17,296	-	49,419
<b>Total support services</b>	<b>732,851</b>	<b>1,601,092</b>	<b>1,639,858</b>	<b>1,521,519</b>	<b>403,092</b>	<b>14,634,969</b>	<b>20,533,381</b>
<b>Total expenditures</b>	<b>4,141,830</b>	<b>7,652,053</b>	<b>4,846,842</b>	<b>5,115,182</b>	<b>1,051,693</b>	<b>14,711,839</b>	<b>37,519,439</b>
<b>Other Financing Sources</b>							
Leases	-	32,123	-	-	17,296	-	49,419
Loan proceeds	-	-	-	-	-	11,532,914	11,532,914
Transfers out	(620,550)	(2,168,138)	(633,550)	(598,807)	-	-	(4,021,045)
Transfers in	2,787,576	-	100,000	-	520,551	612,918	4,021,045
<b>Net Change in Fund Balances</b>	<b>(442,748)</b>	<b>732,659</b>	<b>730,675</b>	<b>951,905</b>	<b>225,345</b>	<b>(2,184,433)</b>	<b>13,403</b>
<b>Fund Balances, Beginning of Year</b>	<b>3,622,656</b>	<b>3,365,618</b>	<b>1,354,737</b>	<b>881,011</b>	<b>(117,681)</b>	<b>387,590</b>	<b>9,493,931</b>
<b>Fund Balances, End of Year</b>	<b>\$ 3,179,908</b>	<b>\$ 4,098,277</b>	<b>\$ 2,085,412</b>	<b>\$ 1,832,916</b>	<b>\$ 107,664</b>	<b>\$ (1,796,843)</b>	<b>\$ 9,507,334</b>

See Notes to Financial Statements

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
August 31, 2023

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Net change in fund balances - total governmental funds	\$ 13,403
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital Outlay	15,410,605
Depreciation expense	(516,901)
Amortization expense	(698,411)
Repayment of principle and the change in accrued interest on long-term debt and lease obligations is an expenditure in the governmental funds but reduces the liability in the statement of net position.	355,242
Long-term debt proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position.	(11,532,914)
Interest expense accrued and rolled into lease obligations.	(141,648)
Amortization of bond premium reduces expenditures in the statement of activities, but has no impact on the governmental funds	71,797
Pension expense related to changes in the deferred outflows, net pension asset and liability, and deferred inflows.	707,084
Change in Net Position of Governmental Activities	<u>\$ 3,668,257</u>

## **Note 1 - Summary of Significant Accounting Policies**

### **Entity and Charter**

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

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

### **Financial Reporting Entity**

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

### **Blended Component Units**

3400 S 148<sup>th</sup> Street, LLC and 16950 LLC were created in 2017 and 2021, respectively, to hold capital assets in support of Impact Public Schools, and are 100% owned by Impact Public Schools. Both entities are considered component units of Impact Public Schools, and are governed by the board of Impact Public Schools.

### **Basis of Presentation**

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

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

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

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

- Direct expenses - those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses - expenses of the general government related to the administration and support of Impact Public Schools' programs, such as personnel and accounting, are allocated to programs based on their percentage of total primary government expenses.
- Program revenues - include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

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

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

### **Basis of Accounting**

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Impact Public Schools considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

### **Cash and Cash Equivalents**

Impact Public Schools considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

### **Accounts Receivable**

Accounts receivable consists of amounts due from federal and state sources in connection with various grants and contracts.

### **Prepaid Expenses**

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

### **Capital and Right-of-Use Assets**

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to 40 years.

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

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent Impact Public Schools' right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method or the same method amortizing the debt. The amortization period is 3 years.

#### **Accounts Payable and Accrued Expenses**

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

#### **Advanced Revenue**

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

#### **Lease Obligations**

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

#### **Pensions**

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

### **Deferred Outflows/Inflows of Resources**

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

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

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

### **Fund Balances of Fund Financial Statements and Net Position**

Fund balances of the governmental funds are classified as follows:

- Nonspendable fund balance – amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. This consists of prepaid expenses at August 31, 2023.
- Restricted fund balance – amounts that can be spent only for specific purposes because of Impact Public Schools sponsoring organization, state or federal laws or externally imposed conditions by grantors or creditors. This consists of amounts restricted for activities supporting Impact | Puget Sound Elementary, Impact | Salish Sea Elementary, Impact | Commencement Bay Elementary, and Impact | Black River Elementary at August 31, 2023.
- Committed fund balance – amounts constrained to specific purposes by Impact Public Schools itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless Impact Public Schools takes the same highest level action to remove or change the constraint. Impact Public Schools did not have any committed fund balance at August 31, 2023.
- Assigned fund balance – amounts Impact Public Schools intends to use for a specified purpose. Intent can be expressed by the Board of Directors or by a principal if the Board of Directors delegates the authority. Impact Public Schools did not have any assigned fund balance at August 31, 2023.
- Unassigned fund balance – amounts that are available for any purpose. The Debt Service Fund had a negative fund balance of \$1,869,869 at August 31, 2023.

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



are available, Impact Public Schools applies restricted fund balance, then committed fund balance, then assigned fund balance, and then unassigned fund balances.

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

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

### **Revenues**

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

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

### **Income Taxes**

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

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### **Uncertain Tax Positions**

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, Impact Public Schools may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are

measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2023. Impact Public Schools files a Form 990 in the U.S. federal jurisdiction.

#### Implementation of GASB Statement No. 96

As of September 1, 2022, Impact Public Schools adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The disclosure required by this standard are included in Note 5. There were no assets or liabilities recognized upon implementation of this standard.

#### Note 2 - Deposits and Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of August 31, 2023, the carrying amount of Impact Public Schools' deposits was \$12,633,476, and the respective bank balances totaled \$11,653,024. Of the total bank balance, \$250,000 as of August 31, 2023, was covered by federal depository insurance, with the remaining \$11,403,024 covered by Washington State Deposit Protection. No cash balances as of August 31, 2023, were exposed to custodial credit risk. Impact Public Schools does not have a formal policy limiting its exposure to custodial credit risk.

#### Note 3 - Interfund

Interfund balance represent cash collected or disbursed on behalf of another fund. The composition of interfund due to and due from at August 31, 2023 are as follows:

		Due From					
		General	CBE	PSE	SSE	BRE	Debt Service
Due To	General	\$ -	\$ 29,730	\$ 139,135	\$ 54,529	\$ 253,450	\$ 163,138
	CBE	-	-	-	-	-	-
	PSE	-	-	-	-	-	8,400
	SSE	-	-	-	-	-	-
	BRE	-	-	-	-	-	2,552
	Debt Service	-	-	-	-	-	-
	Total	\$ -	\$ 29,730	\$ 139,135	\$ 54,529	\$ 253,450	\$ 174,090

Transfers between funds support various programs in accordance with budgetary authorizations and resources for payment of debt services. Interfund transfers during the year ended August 31, 2023 were as follows:

Transferred To	Transferred From						
	General	CBE	PSE	SSE	BRE	Debt Service	Total
General	\$ -	\$ 598,807	\$ 1,555,220	\$ 633,550	\$ -	\$ -	\$ 2,787,577
CBE	-	-	-	-	-	-	-
PSE	-	-	-	-	-	-	-
SSE	100,000	-	-	-	-	-	100,000
BRE	520,550	-	-	-	-	-	520,550
Debt Service	-	-	612,918	-	-	-	612,918
Total	<u>\$ 620,550</u>	<u>\$ 598,807</u>	<u>\$ 2,168,138</u>	<u>\$ 633,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,021,045</u>

#### Note 4 - Capital Assets

Capital asset activity for the year ended August 31, 2023, is as follows:

Governmental Activities	Balance August 31, 2022	Additions/ Transfers	Deletions/ Transfers	Balance August 31, 2023
Capital assets, not being depreciated				
Land	\$ 1,925,000	\$ -	\$ -	\$ 1,925,000
Construction in progress	960,913	-	(960,913)	-
Total capital assets, not being depreciated	<u>2,885,913</u>	<u>-</u>	<u>(960,913)</u>	<u>1,925,000</u>
Capital assets, being depreciated				
Buildings and improvements	9,749,571	14,644,740	960,913	25,355,224
Furniture and equipment	652,891	588,368	-	1,241,259
Total capital assets, being depreciated	<u>10,402,462</u>	<u>15,233,108</u>	<u>960,913</u>	<u>26,596,483</u>
Less accumulated depreciation	<u>(867,788)</u>	<u>(516,901)</u>	<u>-</u>	<u>(1,384,689)</u>
Total capital assets, net	<u>\$ 12,420,587</u>	<u>\$ 14,716,207</u>	<u>\$ -</u>	<u>\$ 27,136,794</u>

Depreciation expense totaled \$429,875 and \$87,026 charged to instruction and support services, respectively, for the year ended August 31, 2023.

## Note 5 - Right-of-Use Assets

Right-of-use lease asset activity for the year ended August 31, 2023 is as follows:

Governmental Activities	Balance August 31, 2022	Additions	Retirements	Balance August 31, 2023
Right-Of-Use Assets				
Land	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Buildings	19,108,617	-	-	19,108,617
Copiers	38,322	49,419	-	87,741
	<u>20,646,939</u>	<u>49,419</u>	<u>-</u>	<u>20,696,358</u>
Total right-of-use assets				
	<u>(649,636)</u>	<u>(693,481)</u>	<u>-</u>	<u>(1,343,117)</u>
Less accumulated amortization				
Right-to-use assets, net	<u>\$ 19,997,303</u>	<u>\$ (644,062)</u>	<u>\$ -</u>	<u>\$ 19,353,241</u>

Lease amortization expense totaled \$576,726 and \$116,755, charged to instruction and support services, respectively, for the year ended August 31, 2023.

Right-of-use subscription IT asset activity for the year ended August 31, 2023 is as follows:

Governmental Activities	Balance August 31, 2022	Additions	Retirements	Balance August 31, 2023
Right-to-use subscription IT assets				
Subscription IT - assets	\$ -	\$ 177,497	\$ -	\$ 177,497
Less accumulated amortization	-	(4,930)	-	(4,930)
	<u>-</u>	<u>(4,930)</u>	<u>-</u>	<u>(4,930)</u>
Right-to-use assets, net	<u>\$ -</u>	<u>\$ 172,567</u>	<u>\$ -</u>	<u>\$ 172,567</u>

Subscription IT amortization expense totaled \$4,100 and \$830, charged to instruction and support services, respectively, for the year ended August 31, 2023.

## Note 6 - Long-Term Debt

Long-term debt activity for the year ended August 31, 2023 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Equitable Facilities Fund loan, interest at 5.00%, matures in March 2056, secured by deed of trust	\$ 9,963,822	\$ -	\$ (117,393)	\$ 9,846,429	\$ 123,398
Equitable Facilities Fund Bond Premium	1,538,738	-	(71,797)	1,466,941	-
Unitranche Capital Fund loan, interest at 5.75%, matures in December 2027, secured by deed of trust	-	8,812,914	-	8,812,914	213,850
Nonprofit Finance Fund loan, interest at 5.25%, matures in December 2027, secured by deed of trust	-	1,600,000	-	1,600,000	11,293
Washington Charter School Development loan, interest at 3.00%, matures in December 2027, secured by deed of trust	-	1,120,000	-	1,120,000	17,711
Total long-term liabilities	<u>\$ 11,502,560</u>	<u>\$ 11,532,914</u>	<u>\$ (189,190)</u>	<u>\$ 22,846,284</u>	<u>\$ 366,252</u>

Future payments of long-term debt are as follows:

Years Ended August 31,	Principal	Interest	Total
2024	\$ 366,252	\$ 954,073	\$ 1,320,325
2025	576,890	1,166,027	1,742,917
2026	608,867	1,134,050	1,742,917
2027	642,643	1,100,273	1,742,916
2028	10,021,702	3,555,723	13,577,425
2029-2033	877,099	2,187,491	3,064,590
2034-2038	1,125,632	1,938,958	3,064,590
2039-2043	1,444,590	1,620,000	3,064,590
2044-2048	1,853,927	1,210,663	3,064,590
2049-2053	2,379,253	685,337	3,064,590
2054-2056	2,949,429	100,893	3,050,322
Total minimum obligations	<u>\$ 22,846,284</u>	<u>\$ 15,653,488</u>	<u>\$ 38,499,772</u>

The loans are subject to certain covenants.

## **Note 7 - Lease Obligations**

Impact Public Schools leases premises for Impact | Salish Sea Elementary under a long-term lease through 2053 with Washington Charter School Development (WCSD). The lease includes a purchase option that may be exercised at any point during the lease. The purchase price consists of repayments of all outstanding debt of WCSD for the property, return of 15% equity capital contributed by the Bill and Melinda Gates Foundation, and some administrative fees. Impact Public Schools anticipates exercising the purchase option in August 2024. The lease is subject to covenant requirements including lease payment coverage, current ratio, debt to worth, and cash on hand. Impact Public Schools was in compliance with these covenants at August 31, 2023. Impact Public Schools guarantees certain debt of WCSD related to this property. Total guaranteed debt totaled \$8,909,504 as of August 31, 2023. WCSD is current on all required payments. Impact Public Schools uses an interest rate of 5% for this lease, which is based on Impact Public Schools' incremental borrowing rate at the inception of the lease.

Impact Public Schools leases premises for Impact | Commencement Bay Elementary under a long-term lease through 2045 with Washington Charter School Development (WCSD). WCSD owns the master lease, and subleases the property to Impact Public Schools. The lease includes a purchase option to purchase the master lease that may be exercised at any point during the first 5 years of the lease, ending in August 2026. The purchase price consists of repayments of all outstanding debt of WCSD for the property, and an additional \$75,000. Impact Public Schools anticipates exercising the purchase option on the master lease at the conclusion of the option, in August 2026. At that point, the total lease payment decrease substantially for the remainder of the lease. The lease is subject to covenant requirements including lease payment coverage, current ratio, debt to worth, and cash on hand. Impact Public Schools was in compliance with these covenants at August 31, 2023. Impact Public Schools uses an interest rate of 5% for this lease, which is based on Impact Public Schools' incremental borrowing rate at the inception of the lease.

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

Impact Public Schools has entered into various copier leases terminating at various dates through 2028. Under the terms of the leases, Impact Public Schools pays a total monthly base fee of approximately \$2,200. Impact Public Schools also pays a monthly maintenance cost, based on the number of copies run through the machines each month. This expenditure is treated as an ordinary monthly operating cost. Impact Public Schools uses interest rates of 3.5% to 5% for their leases, which is based on Impact Public Schools' incremental borrowing rate at the inception of the lease.

Lease obligation activity for the year ended August 31, 2023 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Building Leases	\$ 20,538,169	\$ 141,648	\$ (232,658)	\$ 20,447,159	\$ 10,111,126
Copier Leases	24,128	49,419	(14,452)	59,095	14,444
Total capital lease liabilities	<u>\$ 20,562,297</u>	<u>\$ 191,067</u>	<u>\$ (247,110)</u>	<u>\$ 20,506,254</u>	<u>\$ 10,125,570</u>

Future payments on lease obligations are as follows:

<u>Years Ended August 31,</u>	<u>Total</u>
2024	\$ 10,945,028
2025	682,666
2026	2,698,554
2027	378,273
2028	383,800
2029-2033	2,223,703
2034-2038	3,514,210
2039-2043	3,916,018
2044-2048	2,638,282
2049-2052	<u>1,442,594</u>
Total minimum lease payments	28,823,128
Less amount representing interest	<u>(8,316,874)</u>
Obligations under capital lease	<u>\$ 20,506,254</u>

## Note 8 - Pension Plans

### General Information

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

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

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

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

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

### **Administration**

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

### **PERS**

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

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

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

### **SERS**

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



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

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

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

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

## **TRS**

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

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

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

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

## Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the State of Washington Legislature. 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 rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS, respectively.

Employee contribution rates, expressed as a percentage of payroll covered for 2023 were as follows:

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

Employer contribution rates, expressed as a percentage of payroll covered for 2023 were as follows:

Plan	Rate
PERS 1	10.39%
SERS 2/3	11.79%
TRS 1	14.69%
TRS 2/3	14.69%

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

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

Plan	Contributions
PERS 1	\$ 142,816
SERS 2/3	298,863
TRS 1	457,542
TRS 2/3	614,038

### Collective Net Pension Liability (Asset)

The collective net pension liability (assets) for the pension plans Impact Public Schools participated in are reported in the following tables. Net Pension Liability (Asset) as of June 30, 2023:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total pension liability	\$11,508,253,000	\$9,283,864,000	\$8,491,576,000	\$24,937,867,000
Plan fiduciary net position	(9,225,521,000)	(9,427,008,000)	(7,225,059,000)	(25,060,682,000)
Participating employers' net pension liability (asset)	2,282,732,000	(143,144,000)	1,266,517,000	(122,815,000)
Plan fiduciary net position as a percentage of the total pension liability	80.16%	101.54%	85.09%	100.49%

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

At August 31, 2023, Impact Public Schools reported a net liability of \$1,552,092 and a net asset of \$274,672 for its proportionate shares of the individual plans' collective net pension amounts. Impact Public Schools' proportionate share of the collective net pension liability (asset) is based on annual contributions for each of the employers participating in the DRS administered plans.

At August 31, 2023, Impact Public Schools' proportionate share of each plan's net pension liability (asset) is reported below:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Proportionate share of Net Pension Liability (Asset)	0.020958%	0.118927%	0.084774%	0.085034%
	\$ 478,415	\$ (170,237)	\$ 1,073,677	\$ (104,435)

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

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

### Actuarial Assumptions

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

The total pension liabilities (assets) for PERS 1, SERS 2/3, TRS 1, and TRS 2/3 were determined by actuarial valuation as of June 30, 2022, with the results rolled forward to June 30, 2023, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

### **Mortality Rates**

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2021 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report.

### **Long-Term Expected Rate of Return**

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

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

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2023, are summarized in the following table:

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

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

#### **Discount Rate**

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

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

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2023, Impact Public Schools reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 53,967
Changes in assumptions or other inputs	-	-
Contributions subsequent to the measurement date	-	-
	<u>\$ -</u>	<u>\$ 53,967</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
SERS 2/3		
Difference between expected and actual experiences	\$ 424,807	\$ -
Net difference between projected and actual earnings on pension plan investments	-	265,845
Changes in assumptions or other inputs	289,512	9,944
Changes in proportion and differences between contributions and proportionate share of contributions	62,747	127,147
Contributions subsequent to the measurement date	68,970	-
	<u>\$ 846,036</u>	<u>\$ 402,936</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
TRS 1		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 155,432
	<u>\$ -</u>	<u>\$ 155,432</u>

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 909,426	\$ 14,714
Net difference between projected and actual earnings on pension plan investments	-	500,906
Changes in assumptions or other inputs	829,629	82,222
Changes in proportion and differences between contributions and proportionate share of contributions	121,198	313,631
Contributions subsequent to the measurement date	184,776	-
	<u>\$ 2,045,029</u>	<u>\$ 911,473</u>

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

Years Ended August 31,	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2024	\$ (36,717)	\$ 5,233	\$ (108,618)	\$ (131,991)
2025	(46,176)	(57,116)	(137,316)	(210,301)
2026	28,471	289,269	87,758	496,664
2027	455	98,821	2,744	207,668
2028	-	35,101	-	199,730
Thereafter	-	2,822	-	387,010

### Pension Expense

Impact Public Schools recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using Impact Public Schools' proportionate share of the collective net pension liability. For the year ending August 31, 2023, Impact Public Schools recognized a total pension expense (benefit) as follows:

PERS 1	\$ 23,892
SERS 2/3	(169,647)
TRS 1	(200,424)
TRS 2/3	(360,905)
Total	<u>\$ (707,084)</u>

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

The table below presents Impact Public Schools' proportionate share of the net pension liability (asset) as of August 31, 2023, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate. Amounts are calculated by plan using Impact Public Schools' allocation percentage.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1 Net Pension Liability	\$ 668,382	\$ 478,415	\$ 312,619
SERS 2/3 Net Pension Liability (Asset)	\$ 1,389,553	\$ (170,237)	\$ (1,455,857)
TRS 1 Net Pension Liability	\$ 1,634,318	\$ 1,073,677	\$ 583,605
TRS 2/3 Net Pension Liability (Asset)	\$ 3,372,031	\$ (104,435)	\$ (2,930,749)

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 2023 annual comprehensive financial report (ACFR). Refer to this report for detailed trend information. It is available at <http://www.drs.wa.gov> or from State of Washington Office of Financial Management, 300 Insurance Building, PO Box 43113, Olympia, WA 98504-3113.

### Note 9 - Concentrations

Impact Public Schools' principal source of support is state based support revenue. For the year ended August 31, 2023, this funding source accounted for approximately 85.7% of all revenues, which includes federal funds passed through the state.

### Note 10 - Risk Management

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





Required Supplementary Information  
August 31, 2023

## Impact Public Schools

# Impact Public Schools

## Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund Year Ended August 31, 2023

	Budget Original	Budget Final	Actual	Variance
<b>Revenues</b>				
State apportionment	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	-	-	-	-
Contributions	4,243,500	3,623,500	1,531,688	(2,711,812)
Other income	-	-	368	368
<b>Total revenues</b>	<b>4,243,500</b>	<b>3,623,500</b>	<b>1,532,056</b>	<b>(2,711,444)</b>
<b>Expenditures</b>				
<b>Instructional</b>				
Regular education	3,411,684	3,360,922	3,408,979	2,705
Special education	-	-	-	-
Compensatory education	-	-	-	-
Other	-	-	-	-
<b>Total instructional</b>	<b>3,411,684</b>	<b>3,360,922</b>	<b>3,408,979</b>	<b>2,705</b>
<b>Support services</b>				
District-wide support	1,137,228	1,120,307	720,964	416,264
School food services	-	-	-	-
Pupil transportation	-	-	-	-
Debt service payments	-	-	-	-
Capital outlay	-	-	11,887	(11,887)
<b>Total support services</b>	<b>1,137,228</b>	<b>1,120,307</b>	<b>732,851</b>	<b>404,377</b>
<b>Total expenditures</b>	<b>4,548,912</b>	<b>4,481,229</b>	<b>4,141,830</b>	<b>407,082</b>
<b>Other Financing Sources</b>				
Transfers out	(2,000,000)	(1,550,000)	(620,550)	(1,379,450)
Transfers in	2,378,483	2,432,034	2,787,576	(409,093)
<b>Net Change in Fund Balances</b>	<b>\$ 73,071</b>	<b>\$ 24,305</b>	<b>\$ (442,748)</b>	<b>\$ (515,819)</b>

Impact Public Schools

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact |  
Puget Sound Elementary  
Year Ended August 31, 2023

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	Budget Original	Budget Final	Actual	Variance
Revenues				
State apportionment	\$ 8,637,951	\$ 8,657,681	\$ 9,612,638	\$ 954,957
Federal grants and contracts	700,905	965,258	846,407	(118,851)
Contributions	118,301	119,508	61,125	(58,383)
Other income	-	-	557	557
Total revenues	9,457,157	9,742,447	10,520,727	778,280
Expenditures				
Instructional				
Regular education	3,579,602	3,810,578	3,795,611	(14,967)
Special education	824,517	842,467	859,981	17,514
Compensatory education	986,178	1,119,135	1,140,950	21,815
Other	270,247	330,030	254,419	(75,611)
Total instructional	5,660,544	6,102,210	6,050,961	(51,249)
Support services				
District-wide support	241,182	712,174	251,255	(460,919)
School food services	487,153	492,024	333,936	(158,088)
Pupil transportation	309,538	219,086	316,718	97,632
Capital outlay	250,000	520,000	667,060	147,060
Capital outlay - capital leases	-	-	32,123	32,123
Total support services	1,287,873	1,943,284	1,601,092	(342,192)
Total expenditures	6,948,417	8,045,494	7,652,053	(393,441)
Other Financing Sources				
Capital leases	-	-	32,123	32,123
Transfers out	(2,313,674)	(2,055,825)	(2,168,138)	(112,313)
Transfers in	-	500,000	-	(500,000)
Net Change in Fund Balances	\$ 195,066	\$ 141,128	\$ 732,659	\$ 591,531

Impact Public Schools

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact |  
Salish Sea Elementary  
Year Ended August 31, 2023

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	Budget Original	Budget Final	Actual	Variance
Revenues				
State apportionment	\$ 5,128,570	\$ 4,778,382	\$ 5,397,680	\$ 619,298
Federal grants and contracts	526,174	791,127	678,733	(112,394)
Contributions	384,533	380,804	965	(379,839)
Other income	-	-	33,689	33,689
Total revenues	6,039,277	5,950,313	6,111,067	160,754
Expenditures				
Instructional				
Regular education	2,666,606	2,318,523	1,732,598	(585,925)
Special education	508,923	794,763	480,989	(313,774)
Compensatory education	252,155	315,130	595,209	280,079
Other	311,741	496,906	398,188	(98,718)
Total instructional	3,739,425	3,925,322	3,206,984	(718,338)
Support services				
District-wide support	1,429,394	1,464,823	1,120,512	(344,311)
School food services	285,820	273,643	261,406	(12,237)
Pupil transportation	309,538	215,066	123,890	(91,176)
Capital outlay	-	-	134,050	134,050
Total support services	2,024,752	1,953,532	1,639,858	(313,674)
Total expenditures	5,764,177	5,878,854	4,846,842	(1,032,012)
Other Financing Sources				
Transfers out	-	-	(633,550)	(633,550)
Transfers in	-	-	100,000	100,000
Net Change in Fund Balances	\$ 275,100	\$ 71,459	\$ 730,675	\$ 659,216

Impact Public Schools

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact |  
Commencement Bay Elementary  
Year Ended August 31, 2023

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	Budget Original	Budget Final	Actual	Variance
Revenues				
State apportionment	\$ 4,771,302	\$ 4,375,289	\$ 5,335,985	\$ 960,696
Federal grants and contracts	573,909	1,116,780	967,066	(149,714)
Contributions	185,160	280,927	339,930	59,003
Other income	-	-	22,913	22,913
Total revenues	5,530,371	5,772,996	6,665,894	892,898
Expenditures				
Instructional				
Regular education	2,728,588	2,687,169	1,853,071	(834,098)
Special education	147,278	192,519	369,566	177,047
Compensatory education	308,799	273,875	642,587	368,712
Other	391,206	825,552	728,439	(97,113)
Total instructional	3,575,871	3,979,115	3,593,663	(385,452)
Support services				
District-wide support	1,162,987	1,206,407	967,490	(238,917)
School food services	287,444	273,643	194,257	(79,386)
Pupil transportation	275,651	221,930	254,178	32,248
Capital outlay	-	-	105,594	105,594
Total support services	1,726,082	1,701,980	1,521,519	(180,461)
Total expenditures	5,301,953	5,681,095	5,115,182	(565,913)
Other Financing Sources				
Transfers out	-	-	(598,807)	(598,807)
Transfers in	-	-	-	-
Net Change in Fund Balances	\$ 228,418	\$ 91,901	\$ 951,905	\$ 860,004

Impact Public Schools

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Impact |  
Black River Elementary  
Year Ended August 31, 2023

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	Budget Original	Budget Final	Actual	Variance
Revenues				
State apportionment	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	200,000	200,000	739,166	539,166
Contributions	1,600,000	1,050,000	-	(1,050,000)
Other income	-	-	25	25
Total revenues	1,800,000	1,250,000	739,191	(510,809)
Expenditures				
Instructional				
Regular education	686,418	595,943	290,169	(305,774)
Special education	-	-	-	-
Compensatory education	-	-	-	-
Other	350,000	350,000	358,432	8,432
Total instructional	1,036,418	945,943	648,601	(297,342)
Support services				
District-wide support	31,350	34,739	20,990	(13,749)
School food services	-	-	4,687	4,687
Pupil transportation	-	-	-	-
Capital outlay	-	-	360,119	360,119
Capital outlay - capital leases	-	-	17,296	17,296
Total support services	31,350	34,739	403,092	368,353
Total expenditures	1,067,768	980,682	1,051,693	71,011
Other Financing Sources				
Capital leases	-	-	17,296	17,296
Transfers out	-	-	-	-
Transfers in	-	-	520,551	520,551
Net Change in Fund Balances	\$ 732,232	\$ 269,318	\$ 225,345	\$ (43,973)

Impact Public Schools  
Schedule of Employer's Share of Net Pension Liability (Asset)  
Year Ended August 31, 2023

**Schedule of Employer's Share of Net Pension Liability**

	2023	2022	2021	2020	2019
<b>PERS 1</b>					
Employer's proportionate share of the net pension liability	0.0209580%	0.0156660%	0.0086600%	0.0052010%	0.0018990%
Employer's proportion share of the net pension liability	\$ 478,415	\$ 436,199	\$ 105,759	\$ 183,623	\$ 73,019
Employer's covered payroll	\$ 3,480,961	\$ 2,604,214	\$ 1,494,521	\$ 781,105	\$ 265,953
Employer's proportional share of the net pension liability as a percentage of its covered payroll	13.7%	16.7%	7.1%	23.5%	27.5%
Plan fiduciary net position as a percentage of the total pension liability	80.2%	76.6%	88.7%	68.6%	67.1%
<b>SERS 2/3</b>					
Employer's proportionate share of the net pension liability	0.1189270%	0.0860470%	0.0521290%	0.0298130%	0.0109880%
Employer's proportion share of the net pension liability (asset)	\$ (170,237)	\$ (231,165)	\$ (559,708)	\$ 158,594	\$ 25,767
Employer's covered payroll	\$ 3,480,961	\$ 2,604,214	\$ 1,494,521	\$ 781,105	\$ 265,953
Employer's proportional share of the net pension liability as a percentage of its covered payroll	-4.9%	-8.9%	-37.5%	20.3%	9.7%
Plan fiduciary net position as a percentage of the total pension liability	101.5%	103.2%	114.2%	92.5%	96.3%
<b>TRS 1</b>					
Employer's proportionate share of the net pension liability	0.0847740%	0.0637440%	0.0304010%	0.0159790%	0.0117000%
Employer's proportion share of the net pension liability	\$ 1,073,677	\$ 1,212,303	\$ 204,689	\$ 384,900	\$ 289,675
Employer's covered payroll	\$ 6,605,678	\$ 5,487,458	\$ 2,129,431	\$ 1,163,457	\$ 788,454
Employer's proportional share of the net pension liability as a percentage of its covered payroll	16.3%	22.1%	9.6%	33.1%	36.7%
Plan fiduciary net position as a percentage of the total pension liability	85.1%	78.2%	91.4%	70.6%	70.4%
<b>TRS 2/3</b>					
Employer's proportionate share of the net pension liability	0.0850340%	0.0644380%	0.0305450%	0.0162020%	0.0181100%
Employer's proportion share of the net pension liability (asset)	\$ (104,435)	\$ (126,805)	\$ (839,623)	\$ 248,860	\$ 71,167
Employer's covered payroll	\$ 6,605,678	\$ 5,487,458	\$ 2,129,431	\$ 1,163,457	\$ 788,454
Employer's proportional share of the net pension liability as a percentage of its covered payroll	-1.6%	-2.3%	-39.4%	21.4%	9.0%
Plan fiduciary net position as a percentage of the total pension liability	100.5%	100.9%	113.7%	91.7%	96.4%

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

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

Impact Public Schools  
Schedule of Employer's Contributions  
Year Ended August 31, 2023

**Schedule of Employer's Contributions**

	2023	2022	2021	2020	2019
<b>PERS 1</b>					
Statutorily required contribution	\$ 142,816	\$ 96,103	\$ 64,506	\$ 37,696	\$ 13,616
Contributions in relation to the statutorily required contribution	\$ 142,816	\$ 96,103	\$ 64,506	\$ 37,696	\$ 13,616
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 3,549,673	\$ 2,799,837	\$ 1,618,191	\$ 781,105	\$ 265,953
Contributions as a percentage of the covered payroll	4.0%	3.4%	4.0%	4.8%	5.1%
<b>SERS 2/3</b>					
Statutorily required contribution	\$ 298,863	\$ 210,088	\$ 136,163	\$ 64,469	\$ 21,994
Contributions in relation to the statutorily required contribution	\$ 298,863	\$ 210,088	\$ 136,163	\$ 64,469	\$ 21,994
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 3,549,673	\$ 2,799,837	\$ 1,618,191	\$ 781,105	\$ 265,953
Contributions as a percentage of the covered payroll	8.4%	7.5%	8.4%	8.3%	8.3%
<b>TRS 1</b>					
Statutorily required contribution	\$ 457,542	\$ 327,103	\$ 167,090	\$ 83,915	\$ 58,107
Contributions in relation to the statutorily required contribution	\$ 457,542	\$ 327,103	\$ 167,090	\$ 83,915	\$ 58,107
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 6,850,120	\$ 5,785,601	\$ 2,549,250	\$ 1,163,457	\$ 788,454
Contributions as a percentage of the covered payroll	6.7%	5.7%	6.6%	7.2%	7.4%
<b>TRS 2/3</b>					
Statutorily required contribution	\$ 614,038	\$ 445,530	\$ 275,392	\$ 94,270	\$ 61,736
Contributions in relation to the statutorily required contribution	\$ 614,038	\$ 445,530	\$ 275,392	\$ 94,270	\$ 61,736
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 6,850,120	\$ 5,785,601	\$ 2,549,250	\$ 1,163,457	\$ 788,454
Contributions as a percentage of the covered payroll	9.0%	7.7%	10.8%	8.1%	7.8%

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

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



### **Pension Plans**

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

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

<https://www.drs.wa.gov/employer/ch15/>

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

<https://www.drs.wa.gov/employer/ch15/>

The Actuarial Valuation can be found at:

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

### **Basis of Budgetary Accounting**

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



Single Audit Section  
August 31, 2023

## Impact Public Schools



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

To the Board of Directors  
Impact Public Schools  
Tukwila, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Impact Public Schools as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Impact Public Schools' basic financial statements and have issued our report thereon dated February 12, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Impact Public Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Impact Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Impact Public Schools' internal control.

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

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

## Report on Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Spokane, Washington  
February 12, 2024



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

To the Board of Directors  
Impact Public Schools  
Tukwila, Washington

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited Impact Public Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Impact Public Schools' major federal program for the year ended August 31, 2023. Impact Public Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Impact Public Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended August 31, 2023.

#### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### ***Report on Internal Control over Compliance***

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such

that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Spokane, Washington  
February 12, 2024

Impact Public Schools  
Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed-Through to Subrecipients
<b>U.S. Department of Education</b>				
<u>Pass-Through Programs</u>				
Washington Office of Superintendent of Public Instruction				
Title I Grants to Local Educational Agencies	84.010	0203924	\$ 499,565	\$ -
English Language Acquisition State Grants	84.365A	0403178	28,109	10,424
Supporting Effective Instruction State Grants	84.367	0525296, 0431087	63,769	-
Special Education Cluster				
Special Education Grants to States	84.027	0307532	226,044	-
Washington State Charter Schools Program Grant	84.282	None	1,303,562	-
Education Stabilization Fund				
COVID-19: American Rescue Plan – Elementary and Secondary School Emergency Relief	84.425U	0712117	429,051	-
Total Education Stabilization Fund			429,051	-
<b>Total U.S. Department of Education</b>			2,550,100	10,424
<b>U.S. Department of Agriculture</b>				
<u>Pass-Through Programs</u>				
Washington Office of Superintendent of Public Instruction				
Child Nutrition Cluster				
School Breakfast Program	10.553	None	163,312	-
National School Lunch Program	10.555	None	416,938	-
Total Child Nutrition Cluster			580,250	-
<b>Total U.S. Department of Agriculture</b>			580,250	-
<b>Department of Homeland Security</b>				
<u>Direct Programs</u>				
COVID-19: Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		144,992	-
<b>Total U.S. Department of Health and Human Services</b>			144,992	-
<b>Department of Homeland Security</b>				
<u>Direct Programs</u>				
Disaster Grants-Public Assistance	97.036		10,889	-
<b>Total Department of Homeland Security</b>			10,889	-
<b>Federal Communications Commissions</b>				
<u>Direct Programs</u>				
COVID-19: Emergency Connectivity Fund Program	32.009		41,647	-
<b>Total Federal Communications Commissions</b>			41,647	-
Total federal financial assistance			\$ 3,327,878	\$ 10,424



**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Impact Public Schools under programs of the federal government for the year ended August 31, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Impact Public Schools, it is not intended to and does not present the financial position, changes in net position, or fund balance of Impact Public Schools.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect Cost Rate**

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

**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

**Federal Awards**

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

**Name of Federal Program or Cluster**

**Federal Financial Assistant Listing**

Washington State Charter Schools Program Grant	84.282
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Findings – Financial Statement Audit**

There were no findings relating to the financial statement audit.

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

No findings noted.