

Catalyst Schools

Reports Required by *Government Auditing Standards*
and Uniform Guidance for the
Year Ended June 30, 2023

Contents

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 <i>Government Auditing Standards</i>	1-2
Independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards required by the Uniform Guidance	3-5
Schedule of expenditures of federal awards	6
Notes to schedule of expenditures of federal awards	7
Schedule of findings and questioned costs	8-10
Summary schedule of prior audit findings	11



RSM US LLP

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

Independent Auditor's Report

Board of Directors
Catalyst Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Catalyst Schools, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2023.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catalyst 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 Catalyst Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catalyst Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
November 5, 2023

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance;
and Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Directors
Catalyst Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Catalyst 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 each of Catalyst Schools' major federal programs for the year ended June 30, 2023. Catalyst Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Catalyst Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Catalyst 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 Catalyst Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Catalyst Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Catalyst Schools' compliance with the requirements of each 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 Catalyst Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Catalyst Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Catalyst 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Catalyst Schools as of and for the year ended June 30, 2023, and have issued our report thereon dated November 5, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
November 5, 2023

Catalyst Schools

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through Illinois State Board of Education			
Passed through Chicago Public Schools			
COVID-19 Education Stabilization Fund American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	Programmatic	\$ 1,238,752
COVID-19 Education Stabilization Fund American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	Operational	393,408
COVID-19 Education Stabilization Fund American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	MFT	3,500
Total COVID-19 Education Stabilization Fund			<u>1,635,660</u>
Title I, Grants to Local Educational Agencies	84.010A	Low Income	1,198,460
Title I, Grants to Local Educational Agencies	84.010A	IL Empower	9,000
Total Title I, Grants to Local Educational Agencies			<u>1,207,460</u>
Title II, Supporting Effective Instruction State Grants	84.367	None Provided	49,207
Title III, English Language Acquisition State Grants	84.365	None Provided	5,320
Title IV, Student Support and Academic Enrichment (SSAE) Program	84.424	None Provided	10,879
Total Department of Education			2,908,526
U.S. Department of Agriculture:			
Passed through Illinois State Board of Education:			
Child Nutrition Cluster:			
National School Lunch Program (Non-Cash USDA Foods)	10.555	65108225551A1	45,418
National School Lunch Program (Non-Cash Department of Defense Fresh Fruits and Vegetables)	10.555	65108225551A1	102,656
National School Lunch Program	10.555	23-4210-0000 & 22-4210-0000	894,389
School Breakfast Program	10.553	22-4220-0000 & 23-4220-0000	359,821
Total Child Nutrition Cluster			<u>1,402,284</u>
Total Department of Agriculture			1,402,284
Total Expenditures of Federal Awards			\$ <u>4,310,810</u>

See notes to schedule of expenditures of federal awards.

Catalyst Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Note 1. Reporting Entity

Catalyst Schools (the School), an Illinois nonprofit corporation, was incorporated on November 3, 2005. The School's mission is to partner with urban communities to offer college-preparatory K-12 education. Each child is given a rigorous academic program suited to his or her needs. In addition, the School helps each child develop positive character traits that will help him or her be an asset and change agent in the community. The School's goal is to provide a quality educational choice to families who experience the effects of economic difficulty and who have not been adequately served by existing educational institutions so their children will ultimately graduate from college. To date, the School has two campus locations.

Note 2. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2023. The information in this Schedule 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 School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

Note 3. Summary of Significant Accounting Policies

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

Note 4. Indirect Cost Rate

The School did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance nor did it charge any indirect costs to a Federal program.

Note 5. Subrecipients

No funds were identified as having been provided to subrecipients by the School under the meaning of the Uniform Guidance, and accordingly, no funds identified in the Schedule are attributable to subrecipient entities as required under the Uniform Guidance.

Note 6. Noncash Amounts and Loans

For the year ended June 30, 2023, the School received \$148,074 of noncash assistance in the form of food commodities that is included under the Department of Agriculture passed through the Illinois State Board of Education (ALN 10.555). There were no federal awards expended for insurance of any loans or loan guarantees outstanding at June 30, 2023.

Catalyst Schools

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

PART I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	_____	Yes	<u> X </u>	None Reported

Noncompliance material to financial statements noted?

_____	Yes	<u> X </u>	No
-------	-----	--------------	----

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	_____	Yes	<u> X </u>	None Reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

_____	Yes	<u> X </u>	No
-------	-----	--------------	----

Identification of major federal programs:

Assistance Listing Number

Name of Federal Program or Cluster

84.425U

COVID-19 Education Stabilization Fund – American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

<u> X </u>	Yes	_____	No
--------------	-----	-------	----

Catalyst Schools

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023**

PART II – FINANCIAL STATEMENT FINDINGS

(A) Internal Control

No matters were reported.

(B) Compliance Findings

No matters were reported.

Catalyst Schools

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023**

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

(A) Internal Control

No matters were reported.

(B) Compliance Findings

No matters were reported.

Catalyst Schools

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023**

No findings were reported in the prior year.