

**ROCKETSHIP EDUCATION D.C., PUBLIC
CHARTER SCHOOL, INC.**

AUDITED FINANCIAL STATEMENTS

**PERIOD FROM INCEPTION (JUNE 2, 2015)
TO JUNE 30, 2016**

Rocketship Education, D.C., Public Charter School, Inc.

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Independent Auditor's Report

Board of Directors

Rocketship Education D.C., Public Charter School, Inc.
Washington, D.C.

We have audited the accompanying financial statements of **Rocketship Education D.C., Public Charter School, Inc.** (a nonprofit School) which comprise the Statement of Financial Position as of June 30, 2016, and the related Statements of Activities and Changes in Net Deficit and Cash Flows for the period from inception (June 2, 2015) to June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

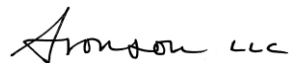
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Rocketship Education D.C., Public Charter School, Inc.** as of June 30, 2016, and the changes in its net assets and its cash flows for the period ended from inception (June 2, 2015) to June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland
January 17, 2017

Rocketship Education, D.C., Public Charter School, Inc.

Statement of Financial Position

<i>June 30,</i>	<i>2016</i>
Assets	
Current assets	
Cash and cash equivalents	\$ 810,445
Promises to give, net	846,000
Prepaid expenses	53,849
Total current assets	1,710,294
Long term assets	
Promises to give - long term	195,040
Total long term assets	195,040
Total assets	\$ 1,905,334
 Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 33,210
Accounts payable - related party	2,385,019
Accrued expenses	16,207
Total current liabilities	2,434,436
Net assets	
Unrestricted net (deficit)	(724,142)
Temporarily restricted net assets	195,040
Total net (deficit)	(529,102)
Total liabilities and net assets	\$ 1,905,334

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Rocketship Education, D.C., Public Charter School, Inc.

Statement of Activities and Changes in Net Deficit

<i>Period from Inception (June 2, 2015) to June 30,</i>	2016		Total 2016
	Unrestricted	Temporarily Restricted	
Revenues and support			
Foundation contributions	\$ 2,021,000	\$ 195,040	\$ 2,216,040
Individual contributions	9,900	-	9,900
Other revenue	160	-	160
Total revenues and support	2,031,060	195,040	2,226,100
Expenses			
Program	2,333,763	-	2,333,763
Fundraising expense	14,058	-	14,058
Management and general	407,381	-	407,381
Total expenses	2,755,202	-	2,755,202
Change in net assets	(724,142)	195,040	(529,102)
Net assets, beginning of period	-	-	-
Net assets (deficit), end of period	\$ (724,142)	\$ 195,040	\$ (529,102)

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Rocketship Education, D.C., Public Charter School, Inc.

Statement of Cash Flows

<i>Period from Inception (June 2, 2015) to June 30,</i>	2016
Cash flows from operating activities	
Change in net deficit	\$ (529,102)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
(Increase) decrease in	
Discount on promises to give	4,960
Promises to give	(1,046,000)
Prepaid expenses	(53,849)
Increase (decrease) in	
Accounts payable	33,210
Accounts payable - related party	2,385,019
Accrued expenses	16,207
Net cash provided by operating activities	810,445
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	\$ 810,445

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Rocketship Education, D.C., Public Charter School, Inc.

Notes to Financial Statements

1. School and significant accounting policies

Organization: Rocketship Education D.C., Public Charter School, Inc. (the School) was incorporated in June 2015 as a not-for-profit corporation operated in the District of Columbia. The School has officially opened its doors to students in August 2016 as a first-year academic public charter school. The mission is to eliminate the achievement gap in historically underserved communities.

Basis of accounting: The School prepares its financial records on the accrual basis of accounting. Under this basis, support and revenue are recognized when earned, and expenses are recognized as incurred.

Basis of presentation: The School classifies revenues as restricted or unrestricted based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations. Resources are available for general operations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Deficit as released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently. As of June 30, 2016, the School had no permanently restricted net assets.

Cash and cash equivalents: The School considers all short term deposits in checking and savings accounts to be cash and cash equivalents. Balances may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

Rocketship Education, D.C., Public Charter School, Inc.

Notes to Financial Statements

Promises to give: Unconditional promises to give are recorded as contributions when received. Amounts expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on promises to give are computed using a discount rate equal to the prevailing treasury yield rate plus an adjustment for risk. Amortization of the discount is included in contribution revenue. Management does not believe that any allowance for uncollectible promises to give is necessary.

Revenue recognition: The School recognizes all unconditional contributions received as support in the period received or pledged.

Income taxes: The School is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

Uncertainties in income taxes: The School evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of June 30, 2016, there are no accruals for uncertain tax positions. If applicable, the School records interest and penalties as a component of income tax expense. The 2016 tax year remains open for examination by tax authorities.

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

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Deficit. Costs that can be identified with particular programs or support functions are charged directly to the program or function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through January 17, 2017, which is the date the financial statements were available to be issued.

Rocketship Education, D.C., Public Charter School, Inc.

Notes to Financial Statements

2. Promises to give	As of June 30, 2016, promises to give consisted of the following:		
	Promises to give expected in:		
	Less than one year	\$	846,000
	Two to five years		200,000
	Total promises to give		1,046,000
	Less: discount		(4,960)
	Total promises to give, net	\$	1,041,040

Unconditional promises to give are discounted to their present value using a discount rate of 5-year treasury yield rate adjusted for risk of 2.48%, which represents the local prevailing borrowing rate.

3. Retirement plan The School participates in a 403(b) retirement plan. Eligible employees may contribute up to 100% of their salary. The School matches up to 3% of yearly pay. From inception (June 2, 2015) to June 30, 2016, the School contributed \$2,045.

4. Concentration From inception (June 2, 2015) to June 30, 2016, approximately 89% of the School's total support was provided from four donors. As of June 30, 2016, approximately 96% of total promises to give came from three donors.

5. Related party transactions The School is an independent legal entity but is consolidated into Rocketship Education (the parent organization). Rocketship Education is a non-profit network of public elementary charter schools serving primarily low-income students in neighborhoods where access to excellent schools is limited. The School is also managed by Rocketship Education as noted in Note 6.

6. Management fees The School is managed by a related party (see Note 5), Rocketship Education, a not-for-profit charter management organization. On February 3, 2016, the School entered into a management agreement with Rocketship Education to assume responsibility for the School's educational process, management, and operations. As compensation to Rocketship Education for these services, the School shall pay an estimate of \$1.75 million for the national operation services plus actual costs incurred by the regional operation services during the start-up period through June 30, 2016, and 15% of certain of the School's revenues after the start-up period.

From inception (June 2, 2015) to June 30, 2016, the management fee incurred and accrued by the School was \$2,385,019, which is included in accounts payable - related party on the Statement of Financial Position.

Rocketship Education, D.C., Public Charter School, Inc.

Notes to Financial Statements

On October 31, 2015, the School entered into an instruction agreement with Apple Tree Institute for Education (Apple Tree), a District of Columbia organization. Per the terms of the agreement, Apple Tree will fully manage and operate the educational program for pre-school and pre-kindergarten (“Pre-K3” and “Pre-K4”).

Apple Tree is solely responsible for all costs associated with operating the program, including, but not limited to compensation for teachers and administrators, curriculum related expenses, classroom furniture and supplies, and all liabilities associated with operating the program including expenses associated with special education.

As a management fee for the services rendered, Apple Tree shall receive an amount equal to the per-pupil funding the School receives for its enrolled Pre-K3 and Pre-K4 students excluding the facilities allotment and less any administrative fees. From inception (June 2, 2015) to June 30, 2016, no management fee was incurred in connection with the Apple Tree management due to the School not opening until August 2016.