

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018)**

**OPERATING:**

**California**

**Rocketship Mateo Sheedy Elementary #0850  
Rocketship Si Se Puede Academy #1061  
Rocketship Los Suenos Academy #1127  
Rocketship Mosaic Elementary #1192  
Rocketship Discovery Prep #1193  
Rocketship Brilliant Minds #1393  
Rocketship Alma Academy #1394  
Rocketship Spark Academy #1526  
Rocketship Fuerza Community Prep #1687  
Rocketship Redwood City Prep #1736  
Rocketship Rising Stars #1778  
Rocketship Delta Prep #1965  
Rocketship Futuro Academy #1805**

**Tennessee**

**Rocketship Nashville Northeast Elementary  
Rocketship United Academy**

**Wisconsin**

**Rocketship Southside Community Prep  
Rocketship Transformation Prep**

**DC**

**Rocketship Rise Academy  
Rocketship Legacy Prep**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rocketship Education and its Affiliates  
Redwood City, California

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Rocketship Education and its Affiliates (RSEA), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RSEA as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying supplementary schedules required by the required by the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel (Local Education Agency Organization Structure, Schedule of Instructional Time, Schedule of Average Daily Attendance, Reconciliation of Annual Financial Report with Audited Financial Statements) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary schedules of the consolidating statements of financial position, activities and cash flows are presented for purposes of additional analysis and are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Report on Summarized Comparative Information*

We have previously audited RSEA's 2018 consolidated financial statements, and we expressed an unmodified opinion on those statements in our report dated January 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors  
Rocketship Education and its Affiliates

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2019 on our consideration of RSEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on RSEA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RSEA's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Glendora, California  
December 11, 2019

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)**

	Rocketship Education	Rocketship Education Wisconsin Inc.	Rocketship Education DC Public Charter School, Inc.	Launchpad Development Company	Eliminations	2019 Total	2018 Total
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	\$ 25,257,138	\$ 836,447	\$ 3,966,106	\$ 4,459,971	\$ -	\$ 34,519,662	\$ 38,634,976
Restricted Cash	-	-	-	12,497,822	-	12,497,822	11,363,000
Accounts Receivable	11,334,420	503,846	428,358	976,260	-	13,242,884	9,533,421
Grants Receivable	-	75,000	100,000	-	-	175,000	1,404,283
Prepaid Expenses and Deposits	2,854,010	84,272	38,031	636,327	-	3,612,640	3,347,455
Total Current Assets	39,445,568	1,499,565	4,532,495	18,570,380	-	64,048,008	64,283,135
<b>LONG-TERM ASSETS</b>							
Grants Receivable	-	-	-	-	-	-	75,000
Intracompany Receivable	6,573,971	-	-	-	(6,573,971)	-	-
Security Deposits	426,830	-	-	-	(400,000)	26,830	35,795
Deferred Rent Asset	-	-	-	5,776,574	(5,776,574)	-	-
Property, Plant, and Equipment, Net	4,979,099	30,219	-	135,791,381	-	140,800,699	103,593,491
Total Long-Term Assets	11,979,900	30,219	-	141,567,955	(12,750,545)	140,827,529	103,704,286
Total Assets	\$ 51,425,468	\$ 1,529,784	\$ 4,532,495	\$ 160,138,335	\$ (12,750,545)	\$ 204,875,537	\$ 167,987,421
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable and Accrued Liabilities	\$ 8,578,573	\$ 326,446	\$ 727,239	\$ 1,019,955	\$ -	\$ 10,652,213	\$ 9,728,362
Accrued Interest	115,619	-	-	629,610	-	745,229	592,457
Deferred Rent Liability	23,574	1,687	-	-	(25,261)	-	-
Deferred Revenues	912,295	-	-	9,456	-	921,751	1,324,670
Current Portion of Loans Payable	775,000	-	-	2,915,122	-	3,690,122	2,716,668
Total Current Liabilities	10,405,061	328,133	727,239	4,574,143	(25,261)	16,009,315	14,362,157
<b>LONG-TERM LIABILITIES</b>							
Security Deposits	-	-	-	400,000	(400,000)	-	-
Accrued Interest	166,076	-	-	-	-	166,076	148,825
Deferred Rent Liability	3,927,842	52,774	2,194,222	4,283,327	(5,751,313)	4,706,852	5,917,604
Intracompany Payable	-	3,238,269	3,335,702	-	(6,573,971)	-	-
Loans Payable	1,562,500	-	-	158,346,222	-	159,908,722	126,675,229
Total Long-Term Liabilities	5,656,418	3,291,043	5,529,924	163,029,549	(12,725,284)	164,781,650	132,741,658
<b>NET ASSETS</b>							
Without Donor Restriction	35,363,989	(2,176,842)	(1,824,668)	(7,465,357)	-	23,897,122	19,896,476
With Donor Restriction	-	87,450	100,000	-	-	187,450	987,130
Total Net Assets	35,363,989	(2,089,392)	(1,724,668)	(7,465,357)	-	24,084,572	20,883,606
Total Liabilities And Net Assets	\$ 51,425,468	\$ 1,529,784	\$ 4,532,495	\$ 160,138,335	\$ (12,750,545)	\$ 204,875,537	\$ 167,987,421

See accompanying Notes to Consolidated Financial Statements.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)**

	Rocketship Education	Rocketship Education Wisconsin Inc.	Rocketship Education DC Public Charter School, Inc.	Launchpad Development Company	Eliminations	2019 Total	2018 Total
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>							
<b>REVENUES</b>							
LCFF State Aid & Property Tax Revenue	\$ 63,871,048	\$ -	\$ -	\$ -	\$ -	\$ 63,871,048	\$ 54,505,286
Apportionment Revenue	10,047,047	4,671,498	15,241,852	-	-	29,960,397	24,205,579
Other State Revenue	15,179,128	126,624	6,035,843	-	-	21,341,595	14,517,185
Federal Revenue	10,300,145	1,268,547	1,405,458	-	-	12,974,150	12,951,747
Other Local Revenue	4,989,452	10,459	1,845,631	17,783,774	(20,690,957)	3,938,359	7,440,059
Contributions	4,661,427	237,061	562,661	-	-	5,461,149	8,006,858
Amounts Released from Restriction	92,384	542,296	165,000	-	-	799,680	670,638
Total Without Donor Restriction Revenues	<u>109,140,631</u>	<u>6,856,485</u>	<u>25,256,445</u>	<u>17,783,774</u>	<u>(20,690,957)</u>	<u>138,346,378</u>	<u>122,297,352</u>
<b>EXPENSES</b>							
Program Expenses:							
Educational programs	81,438,395	6,042,468	22,060,812	-	(16,731,536)	92,810,139	77,408,214
Program Site Supports	-	-	-	20,135,877	(625,279)	19,510,598	13,798,155
Supporting Services:							
Administration and General	20,980,809	924,097	2,790,485	381,945	(3,334,142)	21,743,194	27,685,198
Fundraising	281,801	-	-	-	-	281,801	-
Total Supporting Services	<u>21,262,610</u>	<u>924,097</u>	<u>2,790,485</u>	<u>381,945</u>	<u>(3,334,142)</u>	<u>22,024,995</u>	<u>27,685,198</u>
Total Expenses	<u>102,701,005</u>	<u>6,966,565</u>	<u>24,851,297</u>	<u>20,517,822</u>	<u>(20,690,957)</u>	<u>134,345,732</u>	<u>118,891,567</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	6,439,626	(110,080)	405,148	(2,734,048)	-	4,000,646	3,405,785
<b>NET ASSETS WITH DONOR RESTRICTION</b>							
Amounts Released from Restriction	<u>(92,384)</u>	<u>(542,296)</u>	<u>(165,000)</u>	<u>-</u>	<u>-</u>	<u>(799,680)</u>	<u>(670,638)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTION</b>	<u>(92,384)</u>	<u>(542,296)</u>	<u>(165,000)</u>	<u>-</u>	<u>-</u>	<u>(799,680)</u>	<u>(58,342)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	6,347,242	(652,376)	240,148	(2,734,048)	-	3,200,966	3,347,443
Net Assets, Beginning of Year	<u>29,016,747</u>	<u>(1,437,016)</u>	<u>(1,964,816)</u>	<u>(4,731,309)</u>	<u>-</u>	<u>20,883,606</u>	<u>17,536,163</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 35,363,989</u>	<u>\$ (2,089,392)</u>	<u>\$ (1,724,668)</u>	<u>\$ (7,465,357)</u>	<u>\$ -</u>	<u>\$ 24,084,572</u>	<u>\$ 20,883,606</u>

See accompanying Notes to Consolidated Financial Statements.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)**

	Programs			Management and General	Fundraising	Eliminations	Total Expenses
	Educational Programs	Program Site Supports	Total				
Salaries	\$ 43,624,959	\$ -	\$ 43,624,959	\$ 10,494,826	\$ 174,478	\$ -	\$ 54,294,263
Employee Benefits	5,442,074	-	5,442,074	954,271	31,759	-	6,428,104
Pension	3,484,698	-	3,484,698	395,008	-	-	3,879,706
Payroll Taxes	2,330,276	-	2,330,276	699,996	-	-	3,030,272
Management Fees	-	-	-	16,964,105	-	-	16,964,105
District Fee	-	-	-	1,275,290	-	-	1,275,290
Accounting Expenses	-	-	-	166,059	-	-	166,059
Legal Expenses	-	-	-	457,817	-	-	457,817
Instructional Materials	3,384,641	-	3,384,641	199,447	9,810	-	3,593,898
Other Fees For Services	14,423,529	631,018	15,054,547	2,088,021	42,358	(19,559,037)	(2,374,111)
Advertising	-	-	-	251,310	-	-	251,310
Office Expenses	2,138,558	54,757	2,193,315	287,851	-	-	2,481,166
Information Technology	3,024,500	-	3,024,500	779,481	2,154	-	3,806,135
Printing and Postage	194,596	-	194,596	133,883	-	-	328,479
Occupancy	19,821,810	5,951,878	25,773,688	1,031,787	1,550	(16,731,536)	10,075,489
Travel	1,231,026	-	1,231,026	881,284	13,404	-	2,125,714
Conferences and Meetings	6,719	-	6,719	42,557	-	-	49,276
Insurance	168,481	-	168,481	242,443	-	-	410,924
Bad Debt	606,798	-	606,798	-	-	-	606,798
Depreciation and Amortization	220,585	3,411,684	3,632,269	98,500	-	-	3,730,769
Interest Expense	-	7,840,355	7,840,355	116,901	-	-	7,957,256
Capital Expenses	21,903	1,568,701	1,590,604	7,457	-	-	1,598,061
Other Expenses	9,416,522	677,484	10,094,006	3,108,658	6,288	-	13,208,952
Subtotal	<u>109,541,675</u>	<u>20,135,877</u>	<u>129,677,552</u>	<u>40,676,952</u>	<u>281,801</u>	<u>(36,290,573)</u>	<u>134,345,732</u>
Eliminations	<u>(16,731,536)</u>	<u>(625,279)</u>	<u>(17,356,815)</u>	<u>(18,933,758)</u>	<u>-</u>	<u>36,290,573</u>	<u>-</u>
Total	<u>\$ 92,810,139</u>	<u>\$ 19,510,598</u>	<u>\$ 112,320,737</u>	<u>\$ 21,743,194</u>	<u>\$ 281,801</u>	<u>\$ -</u>	<u>\$ 134,345,732</u>

See accompanying Notes to Consolidated Financial Statements.



**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)**

	Rocketship Education	Rocketship Education Wisconsin Inc.	Rocketship Education DC Public Charter School, Inc.	Launchpad Development Company	Eliminations	2019 Total	2018 Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Change in Net Assets	\$ 6,347,242	\$ (652,376)	\$ 240,148	\$ (2,734,048)	\$ -	\$ 3,200,966	\$ 3,347,443
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:							
Depreciation Expense	314,415	11,085	-	3,085,978	-	3,411,478	3,012,873
Amortization Expense	-	-	-	319,291	-	319,291	290,632
(Increase) Decrease in Operating Assets:							
Accounts Receivable	(2,098,864)	(500,179)	(428,358)	(682,066)	-	(3,709,467)	(1,329,935)
Grants Receivable	-	533,532	770,751	-	-	1,304,283	(906,717)
Prepaid Expenses and Other Current Assets	(501,079)	(30,929)	9,891	267,241	-	(254,876)	(1,236,192)
Deferred Rent Asset	-	-	-	626,859	(626,859)	-	-
Increase (Decrease) in Operating Liabilities:							
Accounts Payable and Accrued Liabilities	2,331,972	(8,830)	(1,029)	(1,254,543)	-	1,067,570	3,546,032
Deferred Revenues	(412,375)	-	-	-	-	(412,375)	(268,181)
Deferred Rent Liability	117,065	(2,914)	(108,655)	(1,803,986)	626,859	(1,171,631)	3,985,307
Net Cash Flows from Operating Activities	6,098,376	(650,611)	482,748	(2,175,274)	-	3,755,239	10,441,262
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from Note Receivable	-	-	-	-	-	-	560,000
Purchases of Property, Plant, and Equipment	(144,341)	(21,085)	-	(39,780,915)	-	(39,946,341)	(6,891,872)
Net Cash Flows from Investing Activities	(144,341)	(21,085)	-	(39,780,915)	-	(39,946,341)	(6,331,872)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Change in Restricted Cash	-	-	-	(1,164,487)	-	(1,164,487)	(728,926)
Intracompany Loans	(1,624,333)	594,912	1,029,421	-	-	-	(750,000)
Proceeds from Debt	250,000	-	-	35,831,955	-	36,081,955	17,060,412
Repayment of Debt	(166,680)	-	-	(2,675,000)	-	(2,841,680)	(24,321,077)
Net Cash Flows from by Financing Activities	(1,541,013)	594,912	1,029,421	31,992,468	-	32,075,788	(8,739,591)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,413,022	(76,784)	1,512,169	(9,963,721)	-	(4,115,314)	(4,630,201)
Cash and Cash Equivalents, Beginning of Year	20,844,116	913,231	2,453,937	14,423,692	-	38,634,976	43,265,177
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 25,257,138</u>	<u>\$ 836,447</u>	<u>\$ 3,966,106</u>	<u>\$ 4,459,971</u>	<u>\$ -</u>	<u>\$ 34,519,662</u>	<u>\$ 38,634,976</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>							
Cash Paid for Interest, Net	<u>\$ 9,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,285,723</u>	<u>\$ -</u>	<u>\$ 5,294,798</u>	<u>\$ 7,761,957</u>
Capitalized Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,050</u>	<u>\$ -</u>	<u>\$ 28,050</u>	<u>\$ 28,050</u>

See accompanying Notes to Consolidated Financial Statements.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Rocketship Education and its Affiliates (RSEA) are organized to manage, operate, guide, direct, and promote a network of public elementary charter schools.

The charter schools are funded principally through public education monies. The charters may be revoked by their sponsor for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

**Principles of Consolidation**

The accompanying financial statements include the accounts of Rocketship Education (RSED) and its schools. All significant intercompany accounts and transactions within RSED and its schools have been eliminated in the consolidating financial statements. Additionally, the accompanying financial statements include the accounts of Rocketship Education Wisconsin Inc., Rocketship Education D.C. Public Charter School Inc., and Launchpad Development Company (LDC) and its wholly owned LLCs. All significant intercompany accounts and transactions within LDC have been eliminated in the consolidating financial statements. Finally, all significant intercompany accounts and transactions between RSED and Launchpad have been eliminated in consolidation.

**Rocketship Education (RSED)**

Rocketship Education (RSED) is a California nonprofit public benefit corporation that was incorporated in 2006 and is organized to manage, operate, guide, direct, and promote a network of public elementary charter schools. Divisions of RSED include:

- ***Rocketship Support Network (RSN)*** – Centralized resources providing management, back office support and organizational strategy.
- ***Rocketship Mateo Sheedy Elementary (RMS)*** – California charter school
- ***Rocketship Si Se Puede Academy (RSSP)*** – California charter school
- ***Rocketship Los Suenos Academy (RLS)*** – California charter school
- ***Rocketship Mosaic Elementary School (ROMO)*** – California charter school
- ***Rocketship Discovery Prep (RDP)*** – California charter school
- ***Rocketship Brilliant Minds (RBM)*** – California charter school
- ***Rocketship Alma Academy (RSA)*** – California charter school
- ***Rocketship Spark Academy (RSK)*** – California charter school
- ***Rocketship Fuerza Community Prep (RFZ)*** – California charter school
- ***Rocketship Redwood City Prep (RRWC)*** – California charter school
- ***Rocketship Rising Stars (RRS)*** – California charter school
- ***Rocketship Futuro Academy – (RFA)*** California charter school
- ***Rocketship Delta Prep (RDL)*** – California charter school
- ***Rocketship Nashville Northeast Elementary (RNNE)*** – Tennessee charter school
- ***Rocketship United Academy (RUA)*** – Tennessee charter school

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Consolidation (Continued)**

Rocketship Education Wisconsin Inc.

RSED incorporated Rocketship Education Wisconsin Inc., as a nonprofit public benefit corporation in October 2012 to hold the charter for its elementary school in Wisconsin, Rocketship Southside Community Prep (RSCP) and Rocketship Transformation Prep (RTP).

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

Rocketship Education D.C., Public Charter School, Inc. (RSDC) incorporated as a nonprofit public benefit corporation during 2014 for the purpose of operating charter schools in Washington, DC. The District of Columbia Public Charter School Board (PCSB) approved RSDC to establish up to eight charter schools beginning in July 2016. Rocketship Education and RSDC entered into a Network Services Agreement to provide services for the DC region. RSDC operates two campuses, Rocketship RISE (RISE) and Rocketship Legacy Prep (RLP).

Launchpad Development Company

Launchpad Development Company (LDC) was incorporated as a 509(a)(3) nonprofit public benefit corporation in November 2009. LDC is a supporting organization of RSED. LDC provides facilities and development services provided that such services are consistent with RSED's exempt purpose. Divisions of LDC include:

- ***Launchpad (LP)*** – investment/asset management and administrative services
- ***Launchpad Development One LLC (LLC1)*** – RMS facilities
- ***Launchpad Development Two LLC (LLC2)*** – RSSP facilities
- ***Launchpad Development Three, LLC (LLC3)*** – RLS facilities
- ***Launchpad Development Four LLC (LLC4)*** – ROMO facilities
- ***Launchpad Development Five LLC (LLC5)*** – RDP facilities
- ***Launchpad Development Eight LLC (LLC8)*** – RSA facilities
- ***Launchpad Development Ten LLC (LLC10)*** – RSK facilities development
- ***Launchpad Development Eleven LLC (LLC11)*** – RBM facilities
- ***Launchpad Development Twelve LLC (LLC12)*** – RFZ facilities
- ***Launchpad Development Fourteen LLC (LLC14)*** – Facilities development
- ***Launchpad Development Fifteen LLC (LLC15)*** – RRWC facilities development
- ***Launchpad Development Sixteen LLC (LLC16)*** – RRS Facilities
- ***Launchpad Development Seventeen LLC (LLC17)*** – RFA facilities development
- ***Launchpad Development Eighteen LLC (LLC18)*** – RDL facilities development
- ***Launchpad Development Nineteen LLC (LLC19)*** – Facilities development
- ***Launchpad Development Twenty LLC (LLC20)*** – Facilities development
- ***Launchpad Development Milwaukee One LLC (MLLC1)*** – RSCP facilities

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Consolidation (Continued)**

- *Launchpad Development Milwaukee Two LLC (MLLC2)* – RTP facilities development
- *Launchpad Development One Nashville LLC (NLLC1)* – RNNE facilities
- *Launchpad Development Two Nashville LLC (NLLC2)* – RUA facilities
- *Launchpad Development One DC LLC (DLLC1)* – RISE facilities
- *Launchpad Development Two DC LLC (DLLC2)* – RLP facilities
- *Launchpad Development Three DC LLC (DLLC3)* – Facilities development

**Basis of Accounting**

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Basis of Presentation**

RSEA presents its financial statements as a California nonprofit public benefit corporation in accordance with Financial Accounting Standards which govern generally accepted accounting principles for non-profit organizations.

**Use of 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. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses**

The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

**Cash and Cash Equivalents**

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

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Asset Classes**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Restricted Cash**

Restricted cash includes certain cash balances that are maintained according to debt reserve requirements and donor restrictions.

**Accounts Receivable**

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2019.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost, if purchased or at estimated fair value, if donated. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 35 years. RSEA capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000.

**Contributions**

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

**Income Taxes**

The RSEA is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. RSEA files and exempt return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**Comparative Totals**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with RSEA's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

**Evaluation of Subsequent Events**

RSEA has evaluated subsequent events through December 11, 2019, the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and grants receivable for the total amount of \$47,750,096. As part of RSEA's liquidity management plan, RSEA invests cash in excess of daily requirements in short-term investments and money market funds.

**NOTE 3 CREDIT CONCENTRATION RISK**

RSEA maintains bank accounts with several institutions. Accounts at each of these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. RSEA occasionally has the need to maintain a cash balance in excess of the FDIC limit. RSEA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 4 ACCOUNTS RECEIVABLE**

Due from federal and state governments consists of funds due as of June 30, 2019. Management believes that \$606,798 of the In Lieu of Property Taxes receivables are uncollectible, therefore this provision was recorded as of June 30, 2019.

**NOTE 5 GRANTS RECEIVABLE**

Grants receivable consist of funds due from grantor agencies based upon RSN meeting various conditions or milestones. As of June 30, 2019 grant amounts connected with met milestones have been recorded as grants receivable and have been classified as contributions with donor restriction due to implied time restriction. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded.

**NOTE 6 PROPERTY, PLANT, AND EQUIPMENT**

Property and equipment consisted of the following:

	RSED	LDC	RSEA Total
Land	\$ -	\$ 21,390,990	\$ 21,390,990
Furniture and Equipment	891,979	422,131	1,314,110
Buildings	5,873,910	129,490,127	135,364,037
Other	-	1,008,661	1,008,661
Less: Accumulated Depreciation	(1,756,571)	(16,520,528)	(18,277,099)
Total	<u>\$ 5,009,318</u>	<u>\$ 135,791,381</u>	<u>\$ 140,800,699</u>

Depreciation expense was \$3,411,478 for the year ended June 30, 2019.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 DEBT**

**Convertible Debt**

**RSN – Charter School Growth Fund**

In February 2009, RSN entered into a \$2.3 million Subordinate Loan Agreement with Charter School Growth Fund (CSGF) at an effective interest rate of 4.0%. Of this amount, \$2.0 million plus associated interest will be forgiven and converted into a grant provided that RSN meet specified educational, financial and growth outcomes.

In October 2010, RSN and CSGF amended and restated the original Subordinate Loan Agreement to reflect a total loan of \$3.4 million at an effective interest rate of 3.25% and \$400,000 forgiven and converted into a grant. As of June 30, 2014, RSN has borrowed the complete \$3.4 million. Of the amended amount, \$2.35 million plus associated interest will be forgiven and converted into a grant provided that RSN meet specified educational, financial and growth outcomes.

As of June 30, 2015, RSN had substantively met the school year benchmarks and converted all of the \$2.35 million of principal into a grant.

In April 2018, RSN and CSGF amended and restated the 2009 loan agreement (second amendment), modifying debt maturity dates.

In February 2019, RSN and CSGF amended and restated the 2009 loan agreement (third amendment), modifying debt maturity dates. As of June 30, 2019, balance on this loan is \$950,000. This loan is on a repayment schedule that is fully paid by June 30, 2023.

In December 2012, RSN and CSGF entered into a \$125,000 School Startup Subordinated Loan Agreement at an effective interest rate of 1.0%. The loan was scheduled to be repaid in full on June 30, 2019. But due to RSN's desire to strengthen its cash position, CSGF allowed RSN to make the final payment in July 2019. This payment was made in July 2019, and loan has been paid in full.

During the 2014/15 school year, RFZ, RNNE, RRWC and RUA each entered into \$100,000 Subordinated Loan Agreements with effective interest rates of 1.0%. The loans are scheduled to be repaid in full on June 30, 2020 (RFZ and RNNE) and June 30, 2021 (RRWC and RUA).

During the 2015/16 school year, RSN and CSGF entered into three \$100,000 Subordinated Loan Agreements with effective interest rates of 1.0 percent. The loans were made to support RRS, RFA, and RPP. The loans are scheduled to be repaid in full on June 30, 2021.



**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 DEBT (CONTINUED)**

**Loans Payable**

**Rocketship's Schools - California School Finance Authority Revolving Loan Program**

As of June 30, 2019, four of Rocketship's California schools have revolving loans payable to the California School Finance Authority (CSFA) ranging from \$65,500 to \$250,000, totaling \$791,680 combined. The loans have effective interest rates ranging from 0.22% to 1.47%. Principal is payable over a four or five-year period, with installments ranging from \$20,000 to \$62,500 deducted from apportionment revenue. Final maturity is 2023.

**LLC4 - ROMO Bonds Payable (Series 2011A and 2011B Bonds)**

In September 2011, Launchpad completed bond financing in the amount of \$10.1 million (the Series 2011 Bonds), proceeds from which were used to refinance existing debt and to fund certain project expenses remaining for the ROMO construction project. Interest is paid semi-annually at a coupon rate of 8.5% to 8.75%.

The Series 2011 Bonds are divided into \$9.6 million Series 2011A Bonds and \$515,000 Series 2011B Bonds (taxable), maturing December 2041 and December 2018, respectively. Both Series 2011A and Series 2011B are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment Fund established in December 2018 and December 2013, respectively.

**LLC8 – RSA Bonds Payable (Series 2012A and 2012B Bonds)**

In September 2012, Launchpad completed bond financing in the amount of \$9.46 million (the Series 2012 Bonds), proceeds from which were used to refinance existing debt and to fund certain project expenses remaining for the RSA construction project. Interest is paid semi-annually at a coupon rate of 6.25% to 8.5%.

The Series 2012 Bonds are divided into \$9.105 million Series 2012A Bonds and \$355,000 million Series 2012B Bonds (taxable), maturing June 2043 and matured June 2016, respectively. Both Series 2012A and Series 2012B are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment Fund established in June 2017 and June 2014, respectively.

**LLC18 – LIIF Acquisition Loan**

In January 2017, LLC18 entered into a \$1.2 million loan agreement with Low Income Investment Fund (LIIF) to provide interim financing for LLC18's project development in Antioch, California. The loan has an interest rate of 5.50% and is repayable in 36 months. In December 2017, the loan was repaid with proceeds from LDC Obligated Group Bonds Series 2017 G and H.

**LDC – Obligated Group Bonds (Series 2014A and 2014B)**

In February 2014, LDC completed bond financing in the amount of \$32.855 million (the Series 2014 Bonds), proceeds from which were used to refinance existing debt for LLC2 and fund project expenses for the RBM and RFZ construction projects. Interest is paid semi-annually at a coupon rate of 6.00% to 7.25%.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 DEBT (CONTINUED)**

The Series 2014 Bonds are divided into \$31.935 million Series 2014A Bonds and \$920,000 Series 2014B Bonds (taxable), maturing between June 2023 and 2043 (Series 2014A) and June 2018 (Series 2014B). Both Series 2014A and Series 2014B are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment Fund established in June 2018, 2024 and 2035 (Series 2014A) and June 2016 (Series 2014B).

LDC – Obligated Group Bonds (Series 2015A and 2015B)

In August 2015, LDC completed bond financing in the amount of \$6.385 million (the Series 2015 Bonds), proceeds from which were used to refinance existing debt and fund project expenses for LLC1 construction projects. Interest is paid semi-annually at a coupon rate of 4.25%.

The Series 2015 Bonds are divided into \$6.135 million Series 2015A Bonds and \$250,000 Series 2015B Bonds (taxable), maturing between March 2028 (Series 2015A) and matured June 2016 (Series 2015B). The Series 2015B Bonds were repaid during the fiscal year 2015/16. Series 2015A Bonds are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment Fund established in June 2016.

LDC – Obligated Group Bonds (Series 2016A and 2016B)

In February 2016, LDC completed bond financing in the amount of \$28.605 million (the Series 2016 Bonds), proceeds from which were used to fund project expenses for LLC1, LLC10, and LLC16 construction projects. Interest is paid semi-annually at coupon rates between 4.50% and 5.00%.

The Series 2016 Bonds are divided into \$28.080 million Series 2016A Bonds and \$525,000 Series 2016B Bonds (taxable), maturing between June 2021 and 2046 (Series 2016A) and June 2018 (Series 2016B). Both Series 2016A and Series 2016B are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment Fund established in June 2018, 2022, 2027, 2032 and 2037 (Series 2016A) and June 2017 (Series 2016B).

LDC – Obligated Group Bonds (Series 2017A, 2017B, 2017C, 2017D, 2017E and 2017F)

In February 2017, LDC completed bond financing in the amount of \$42.16 million (the Series 2017 Bonds), proceeds from which were used to fund project expenses and building financing for LLC3, LLC5, LLC15, MLLC1 and NLLC1. Interest is paid semi-annually at coupon rates between 4.50% and 6.25%.

The Series 2017 Bonds are divided into \$23.098 million Series 2017A Bonds, \$3.665 million Series 2017B Bonds (taxable), \$7.160 million Series 2017C Bonds, \$250,000 Series 2017D Bonds, \$7.740 million Series 2017E Bonds, and \$250,000 Series 2017F Bonds. The Series 2017 Bonds mature between June 2027 and 2052 (Series 2017A), June 2025 (Series 2017B), June 2040 (Series 2017C), June 2019 (Series 2017D), between June 2047 and 2052 (Series 2017E) and June 2019 (Series 2017F). All are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment Fund established in June 2018 and 2039 (Series 2017A and B), June 2034 (Series 2017C), 2017 (Series 2017D and F), and June 2039 (Series 2017E).

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 DEBT (CONTINUED)**

In December 2017, the redemption right related to the 2017A and 2017B RRWC project funding was exercised, with \$9.16M of bonds redeemed.

LDC – Obligated Group Bonds (Series 2017G and 2017H)

In December 2017, LDC completed bond financing in the amount of \$16.225 million (the Series 2017 Bonds), proceeds from which were used to fund project expenses and building financing for LLC18. Interest is paid semi-annually at coupon rates between 4.05% and 6.0%.

The Series 2017 Bonds are divided into \$15.56 million Series 2017G Bonds and \$665,000 Series 2017H Bonds (taxable). The Series 2017 Bonds mature between June 2025 and 2053 (Series 2017G) and between June 2022 and 2025 (Series 2017H).

MKE2 LLC – IIF Acquisition Loan

In April 2019, MKE2 LLC entered into a \$900,000 loan agreement with Illinois Investment Fund (IIF) to provide interim financing for MKE2 LLC's project development in Milwaukee, Wisconsin. The loan has an interest rate of 5.875% and matures on April 1, 2021.

NASH2 LLC – CIF Acquisition Loan

In May 2019, NASH2 LLC entered into a \$7.3 million loan agreement with Charter Impact Fund, Inc. to provide financing for NASH2 LLC's project development in Milwaukee, Wisconsin. The loan has an interest rate of 4.25% and matures on June 1, 2049.

LDC – Obligated Group Bonds (Series 2019A and 2019B)

In May 2019, LDC Completed bond financing in the amount of \$28.075 million (the Series 2019 Bonds), proceeds from which were used to fund project expenses and building financing for LLC One DC. Interest is paid semi-annually at coupon rates between 5.0% and 5.3%.

The Series 2019 Bonds are divided into \$27.14 million Series 2019A Bonds and \$935,000 Series 2019B Bonds (taxable). The Series 2019 Bonds mature between June 2029 and 2056 (Series 2019A) and between June 2020 and 2023 (Series 2019B).

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 DEBT (CONTINUED)**

Future maturities of debt in summary:

<u>Year Ended June 30,</u>	<u>RSED</u>	<u>LDC</u>	<u>Total</u>
2020	\$ 775,000	\$ 2,915,122	\$ 3,690,122
2021	887,500	3,304,934	4,192,434
2022	562,500	3,083,571	3,646,071
2023	112,500	3,449,143	3,561,643
2024		3,609,956	3,609,956
Thereafter	-	149,650,238	149,650,238
Subtotal	2,337,500	166,012,964	168,350,464
Cost of Issuance and Discounts/Premiums	-	(4,751,620)	(4,751,620)
Total	<u>\$ 2,337,500</u>	<u>\$ 161,261,344</u>	<u>\$ 163,598,844</u>

Amortization expense for cost of issuance and discounts/premiums was \$319,291 for the year ended June 30, 2019.

**NOTE 8 NET ASSET RESTRICTIONS**

Net assets with donor restrictions of \$187,450 relate to grants that are specifically restricted to future operations.

**NOTE 9 OPERATING LEASES**

**RSN Administrative Offices**

In October 2012, RSN entered into a five-year lease for office facilities payable at \$10,612, plus common area maintenance, payable monthly. The lease includes a waiver of rent (\$10,611) contingent upon RSN's status as a nonprofit public benefit corporation. The lease was renewed on November 1, 2017. During the year ended June 30, 2019, net assets released from restriction from in-kind rent was \$125,290 (net of prior year discount) and lease expense totaled \$163,615.

RSN leases administrative offices in San Jose, California, Concord, California, Milwaukee, Wisconsin, and Nashville, Tennessee under various operating leases. Lease expense for all regional administrative offices totaled \$239,487 for the year ended June 30, 2019.

**LLC11-RBM Site Land Lease**

30 year land lease, \$7,917 payable monthly, subject to adjustment in 2023. Lease expense recognized for the year ended June 30, 2019 was \$95,004.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9 OPERATING LEASES (CONTINUED)**

**LLC12-RFZ Site Land Lease**

35-year land lease, \$26,400 payable monthly during the year ended June 30, 2019. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. For the year ended June 30, 2019, total lease expense of \$368,739 has been recorded and lease payments totaled \$316,800.

**RFZ Site Land Lease**

34-year land lease for addition to RFZ site, payable between \$2,972 and \$3,016 monthly during the year ended June 30, 2019. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. For the year ended June 30, 2019, total lease expense of \$36,836 has been recorded and lease payments totaled \$36,734.

**RRWC Facility Lease**

One-year lease for facilities with the authorizing district. Lease expense recognized for the year ended June 30, 2019 was \$61,800.

**RFA facility lease**

One-year lease for facilities with the authorizing district. Lease expense recognized for the year ended June 30, 2019 was \$124,000.

**MLLC2-RTP Facility Lease**

One year lease for facility starting March 2018. LDC paid for the pre-opening lease in the amount of \$4,108 from March 2018 to June 2018 then transferred the lease to RSED RTP. Lease expense recognized for the year ended June 30, 2019 was \$148,800.

**NLLC2- RUA Facility Lease**

29-year facility lease signed in 2016 ended May 31, 2019 and replaced by a new 30-year facility lease, \$42,032, plus additional rent items, payable monthly during the year ended June 30, 2019. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. For the year ended June 30, 2019 total lease expense of \$830,891 has been recorded and lease payments totaled \$635,017.

**DLLC1-RISE Facility Lease**

29-year facility lease signed in 2016 ended April 30, 2019 and replaced by a new 37-year facility lease, \$470,509, plus additional rent items, payable quarterly during the year ended June 30, 2019. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. For the year ended June 30, 2019 total lease expense of \$2,506,439 has been recorded and lease payments totaled \$1,728,007.

**DLLC2-RLP Facility Lease**

29-year facility lease, \$159,838, plus additional rent items, payable monthly during the year ended June 30, 2019. Due to an uneven payment schedule, lease expense is recorded on a

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

straight-line basis over the life of the lease. For the year ended June 30, 2019 total lease expense of \$2,445,739 has been recorded and lease payments totaled \$1,224,364.

**NOTE 9 DEBT OPERATING LEASES (CONTINUED)**

LDC paid for a RLP parking lease from June to December 2017. Parking lease transferred to RSED RLP started July 1, 2018. Lease expense recognized for the year ended June 30, 2019 was \$18,075.

The following is a schedule of future minimum lease payments required under the operating leases:

June 30,	RSN	RFZ	RPS	LLC10
2020	\$ 175,654	\$ 36,197	\$ 76,510	\$ 105,840
2121	180,924	36,740	78,740	111,132
2022	186,352	37,291	81,029	111,132
2023	95,030	37,850	76,423	111,132
2024	-	38,418	-	116,689
Thereafter	-	1,116,540	-	1,257,061
Total	<u>\$ 637,960</u>	<u>\$ 1,303,036</u>	<u>\$ 312,702</u>	<u>\$ 1,812,986</u>

June 30,	LLC11	LLC12	DLLC1	RSEA Total
2020	\$ 95,004	\$ 316,800	\$ 1,918,053	\$ 2,724,058
2121	95,004	316,800	1,918,053	2,737,393
2022	95,004	316,800	1,918,053	2,745,661
2023	95,004	332,640	1,961,209	2,709,288
2024	104,504	348,480	2,005,332	2,613,423
Thereafter	1,625,041	10,115,106	57,551,498	71,665,246
Total	<u>\$ 2,109,561</u>	<u>\$ 11,746,626</u>	<u>\$ 67,272,198</u>	<u>\$ 85,195,069</u>

**NOTE 10 EMPLOYEE RETIREMENT**

**State Teachers' Retirement System (STRS)**

Qualified certificated employees are covered under a multiemployer defined benefit pension plan maintained by agencies of the State of California. The certificated employees are members of the State Teachers' Retirement System (STRS).

The risks of participating in these multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law, and (c) if the School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. RSEA has no plans to withdraw from these multiemployer plans.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 EMPLOYEE RETIREMENT (CONTINUED)**

**State Teachers' Retirement System (STRS) (Continued)**

RSEA contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2018 total STRS plan net assets are \$225 billion, the total actuarial present value of accumulated plan benefits is \$374 billion, contributions from all employers totaled \$4.9 billion, and the plan is 64% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826 and [www.calstrs.com](http://www.calstrs.com).

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.205% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for the year ended June 30, 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

RSEA's contributions to STRS for each of the last three fiscal years are as follows:

<u>Year Ended June 30,</u>	STRS	
	Required Contribution	Percent Contributed
2017	1,924,652	100 %
2018	2,229,425	100 %
2019	3,158,678	100 %

**Tennessee Consolidated Retirement System – Legacy Pension Plan**

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of RSEA are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 10 EMPLOYEE RETIREMENT (CONTINUED)**

**Tennessee Consolidated Retirement System – Legacy Pension Plan (Continued)**

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. RSEA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the schools if the required employer contributions are not remitted. Employer contributions by RSEA for the year ended June 30, 2019 to the Teacher Legacy Pension Plan was 9.04% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. RSEA did not contribute more than 5% of the total contributions to the plan. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**Tennessee Consolidated Retirement System – Teacher Retirement Plan**

Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by schools after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS.

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5% of salary. RSEA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the school if the required employer contributions are not remitted. Employer contributions by RSEA for the year ended June 30, 2019 to the Teacher Retirement Plan were 4.00% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

RSEA did not contribute more than 5% of the total contributions to the plan. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).



**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 10 EMPLOYEE RETIREMENT (CONTINUED)**

**Defined Contribution Plan**

RSEA offers an Internal Revenue Code Section 403(b) retirement plan to each of its qualifying employees. RSEA matches the lessor of 3% of annual salary or \$2,500. During the year ended June 30, 2019 RSEA contributed \$458,331 to this plan.

**NOTE 11 RELATED PARTY TRANSACTIONS**

**Facility Leases**

In 2015, RMS amended and restated its existing lease with LLC1 into a 31-year facility lease through 2046. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$868,335 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$719,575.

In 2014, RSSP amended and restated its existing lease with LLC2 into a 29-year facility lease agreement through 2043. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$1,032,223 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$1,038,839.

In 2017, RLS amended and restated its existing lease with LLC3 into a 35-year facility lease through 2052. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$800,624 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$911,237.

In 2011, ROMO entered into a 30-year lease with LLC4 through 2042. The lease was amended in July 2012. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$945,810 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$947,750.

In 2017, RDP amended and restated its existing lease with LLC5 into a 35-year facility lease through 2052. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$765,502 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$765,603.

In 2014, RBM entered into a 29-year facility lease agreement with LLC11 through 2043. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$1,103,935 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$1,124,591.

In 2012, RSA entered into a 15-year lease with LLC8 through 2027. The lease agreement was amended July 2012. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$719,565 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$715,590.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)**

**Facility Leases (Continued)**

In 2016, RSK entered into a 30-year facility lease agreement with LLC10 through 2046. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$956,760 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$1,029,924.

In 2014, RFZ entered into a 29-year facility lease agreement with LLC12 through 2043. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$1,408,961 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$1,343,011.

In 2016, RRS entered into a 30-year facility lease agreement with LLC16 through 2046. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$845,520 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$1,023,393.

In 2017, RDL entered into a 25-year facility lease agreement with LLC18 through 2032. Lease commencement occurred in August 2018. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$1,143,274 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$511,669.

In 2017, RNNE entered into a 35-year facility lease agreement with NLLC1 through 2052. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$572,704 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$575,000.

In 2019, RUA entered into a 30-year facility lease agreement with NLLC2 through 2049. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$830,891 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$643,074.

In June 2019, RTP entered into a 10-year facility lease agreement with LDMKE2 through 2029. Lease is effective July 1, 2019, thus no lease expense has been recorded and no lease payments were made for school year 2018/19.

In 2017, RSCP amended its original 10-year facility lease agreement with MLLC1. The new lease runs 35 years through 2052. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. Total lease expense of \$423,312 has been recorded. For school year 2018/19, lease payments under this agreement totaled \$426,226.

In 2019, RISE entered into a 37-year facility lease agreement with DLLC1 through 2056. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. For the year ended June 30, 2019 total lease expense of \$2,506,439 has been recorded and lease payments totaled \$1,728,007.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)**

In 2019, RLP entered into a 29-year facility lease, with DLLC2 through 2046. Due to an uneven payment schedule, lease expense is recorded on a straight-line basis over the life of the lease. For the year ended June 30, 2019, total lease expense of \$2,445,739 has been recorded and lease payments totaled \$1,918,053.

Future estimated payments under these leases as of June 30, 2019 are as follows:

June 30,	RMS	RSSP	RLS	ROMO	RDP	RBM
2020	\$ 1,004,894	\$ 1,037,829	\$ 765,064	\$ 945,542	\$ 668,764	\$ 1,129,129
2021	1,005,461	1,031,890	750,447	946,063	656,056	1,128,415
2022	1,005,223	1,036,436	750,535	947,569	655,931	1,127,060
2023	1,007,628	1,040,018	747,100	947,800	653,779	1,130,463
2024	1,007,990	1,037,237	741,820	946,756	653,878	1,130,577
Thereafter	17,989,674	19,857,263	24,651,771	16,726,259	21,434,697	21,695,229
Total	<u>\$ 23,020,870</u>	<u>\$ 25,040,673</u>	<u>\$ 28,406,737</u>	<u>\$ 21,459,989</u>	<u>\$ 24,723,105</u>	<u>\$ 27,340,873</u>

June 30,	RSA	RSK	RFZ	RRS	RDL	RNNE
2020	\$ 724,918	\$ 1,013,722	\$ 1,375,032	\$ 1,005,092	\$ 951,315	\$ 575,000
2021	724,529	1,014,162	1,380,217	1,004,162	951,807	575,000
2022	723,929	1,013,542	1,379,039	1,003,542	1,020,688	575,000
2023	726,844	1,015,552	1,394,328	1,005,552	1,180,137	575,000
2024	724,678	1,015,458	1,414,378	1,005,458	1,176,719	575,000
Thereafter	13,683,720	18,152,182	28,325,706	17,932,181	34,040,063	16,099,998
Total	<u>\$ 17,308,618</u>	<u>\$ 23,224,618</u>	<u>\$ 35,268,700</u>	<u>\$ 22,955,987</u>	<u>\$ 39,320,729</u>	<u>\$ 18,974,998</u>

June 30,	RUA	RTP	RSCP	RISE	RLP	Total
2020	\$ 504,396	\$ 70,215	\$ 425,000	\$ 1,882,036	\$ 1,918,053	\$ 15,996,001
2021	504,546	268,700	425,000	1,875,601	1,918,053	16,160,109
2022	504,697	478,801	425,000	1,880,888	1,918,053	16,445,933
2023	504,850	478,801	425,000	1,862,963	1,961,209	16,657,024
2024	505,005	478,801	425,000	1,861,300	2,005,337	16,705,392
Thereafter	12,637,737	-	11,865,584	59,644,760	57,551,498	392,288,322
Total	<u>\$ 15,161,231</u>	<u>\$ 1,775,318</u>	<u>\$ 13,990,584</u>	<u>\$ 69,007,548</u>	<u>\$ 67,272,203</u>	<u>\$ 474,252,781</u>

**Rocketship Education Wisconsin Inc. Line of Credit from RSN**

In 2014, Rocketship Education Wisconsin Inc. entered into a revolving line of credit agreement (RSW LOC) with RSN in the amount of \$650,000 to support the operation of RSCP. The agreement was amended June 30, 2015, and extended to \$1.5 million. Interest is charged at a LIBOR based rate, not to exceed 4.0% on outstanding balances under the facility. On June 30, 2014, an advance of \$650,000 was issued, followed by an advance of \$850,000 on June 30, 2015, totaling \$1.5 million. During school year 2017/18 and 2018/19, RSCP paid RSN quarterly interest payments totaling \$60,000 per year.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)**

**Management Services**

RMS, RSSP, RLS, ROMO, RDP, RBM, RSA, RSK, RFZ, RRWC, RRS, RFA, RDL, RNNE, RUA, RSC, RISE, and RLP all receive management and support services from RSN for which they pay management fees.

For the year ended June 30, 2019, management fees were as follows:

Mateo Sheedy	974,322
Si Se Puede	824,549
Los Suenos	885,047
Mosaic	1,155,999
Discovery	911,781
Brilliant Minds	1,176,563
Alma	902,831
Spark	1,122,668
Rising Stars	1,132,110
Fuerza Community	1,188,300
Delta Legacy	658,701
Futuro	646,251
Redwood City	423,457
Nashville NE	708,348
United	919,036
Wisconsin Schools	790,752
D.C. Schools	2,543,390
Total	<u><u>\$ 16,964,105</u></u>

**Donated Services**

RSN provided certain organizational support services, including accounting, finance, and human resources, as well as shared office space to Launchpad (Donated Services) during the year. For the year ended June 30, 2019, the amount of Donated Services recorded from RSN to Launchpad was \$375,000.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

RSEA has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, management believes all compliance requirements have been met.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 13 FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, printing and postage, information technology, and other expenses, which are allocated on the basis of estimates of time and effort.

## **SUPPLEMENTARY INFORMATION**

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
YEAR ENDED JUNE 30, 2019**

Rocketship Education (RSED) is a California nonprofit public benefit corporation that was incorporated in 2006 and is organized to manage, operate, guide, direct, and promote a network of public elementary charter schools.

California Charter Schools:

Rocketship Mateo Sheedy Elementary (RMS), chartered by the Santa Clara County Office of Education, Charter Number: 0850 – Established 2007, Expires 2025

Rocketship Si Se Puede Academy (RSSP), chartered by the Santa Clara County Office of Education, Charter Number: 1061 – Established 2009, Expires 2022

Rocketship Los Suenos Academy (RLS), chartered by the Santa Clara County Office of Education, Charter Number: 1127 – Established 2009, Expires 2020

Rocketship Mosaic Elementary School (ROMO), chartered by the Franklin-McKinley Elementary School District, Charter Number: 1192 – Established 2011, Expires 2021

Rocketship Discovery Prep (RDP), chartered by the Santa Clara County Office of Education, Charter Number: 1193 – Established 2010, Expires 2021

Rocketship Brilliant Minds (RBM), chartered by the Santa Clara County Office of Education, Charter Number: 1393 – Established 2012, Expires 2022

Rocketship Alma Academy (RSA), chartered by the Santa Clara County Office of Education, Charter Number: 1394 – Established 2012, Expires 2022

Rocketship Spark Academy (RSK), chartered by the Franklin-McKinley Elementary School District, Charter Number: 1526 – Established 2013, Expires 2023

Rocketship Fuerza Community Prep (RFZ), chartered by the Santa Clara County Office of Education, Charter Number: 1687 – Established 2014, Expires 2024

Rocketship Redwood City Prep (RRWC), chartered by the Redwood City Elementary School District, Charter Number: 1736 – Established 2015, Expires 2024

Rocketship Rising Stars (RRS), chartered by the Santa Clara County Office of Education, Charter Number: 1778 – Established 2016, Expires 2021

Rocketship Futuro Academy (RFA), chartered by the State Board of Education, Charter Number: 1805 – Established 2016, Expires 2021

Rocketship Delta Prep (RDL), chartered by the Antioch Unified School District, Charter Number: 1965 – Expires 2023

Tennessee Charter Schools:

Rocketship Nashville Northeast Elementary (RNNE)

Rocketship United Academy (RUA)

Wisconsin Charter Schools (Operated by Rocketship Education Wisconsin, Inc.):

Rocketship Southside Community Prep (RSCP)

Rocketship Transformation Prep (RTP)

Washington, DC Charter Schools (Operated by Rocketship Education D.C. Public Charter School, Inc.):

Rocketship Rise Academy (RISE)

Rocketship Legacy Prep (RLP)

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
YEAR ENDED JUNE 30, 2019**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Office</u>	<u>Term Expires (2-Year Term)</u>
Fred Ferrer	President	2020
Louis Jordan	Treasurer	2021
Alex Terman	Member	2020
Deborah McGriff	Member	2021
Greg Stanger	Member	2020
Raymond Raven	Member	2021
Ralph Weber	Member	2021
Jolene Slotter	Member	2021
David Kaval	Member	2020
Jean-Claude Brizard	Member	2019
June Nwabara	Member	2019
Charmaine Detweiler	Member	2021
Julia Stiglitz	Member	2021

**ADMINISTRATION**

Preston Smith	Co-Founder, CEO and President
Keysha Bailey	Chief Financial Officer
Lynn Liao	Chief Programs Officer
Carolyn Davies Lynch	Vice President, Operations
Cheye Calvo	Chief Growth and Community Engagement Officer
Christopher Murphy	Vice President, Marketing and Communications



**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SCHOOLS**  
**JUNE 30, 2019**

	California							Total Page 1
	RSN	Mateo Sheedy	Si Se Puede	Los Suenos	Mosaic	Discovery	Brilliant Minds	
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	\$ 2,391,408	\$ 1,067,036	\$ 2,723,394	\$ 1,608,645	\$ 3,807,931	\$ 689,201	\$ 2,960,164	\$ 15,247,779
Accounts Receivable	225,930	907,718	746,936	443,608	672,528	483,660	880,754	4,361,134
Grants Receivable	-	-	-	-	-	-	-	-
Prepaid Expenses and Deposits	327,699	338,957	37,758	474,854	9,998	608,204	31,264	1,828,734
Total Current Assets	<u>2,945,037</u>	<u>2,313,711</u>	<u>3,508,088</u>	<u>2,527,107</u>	<u>4,490,457</u>	<u>1,781,065</u>	<u>3,872,182</u>	<u>21,437,647</u>
<b>LONG-TERM ASSETS</b>								
Intracompany Receivable	10,764,155	196,125	-	-	-	-	-	10,960,280
Security Deposits	26,830	-	-	100,000	100,000	100,000	-	326,830
Property, Plant, and Equipment, Net	232,630	1,140,264	804,257	816,429	593,473	504,885	98,222	4,190,160
Total Long-Term Assets	<u>11,023,615</u>	<u>1,336,389</u>	<u>804,257</u>	<u>916,429</u>	<u>693,473</u>	<u>604,885</u>	<u>98,222</u>	<u>15,477,270</u>
Total Assets	<u>\$ 13,968,652</u>	<u>\$ 3,650,100</u>	<u>\$ 4,312,345</u>	<u>\$ 3,443,536</u>	<u>\$ 5,183,930</u>	<u>\$ 2,385,950</u>	<u>\$ 3,970,404</u>	<u>\$ 36,914,917</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES</b>								
Accounts Payable and Accrued Liabilities	\$ 3,003,564	374,576	\$ 349,983	\$ 320,430	\$ 529,826	\$ 276,357	\$ 380,823	\$ 5,235,559
Accrued Interest	115,619	-	-	-	-	-	-	115,619
Deferred Rent Liability	-	-	1,952	-	12,875	-	-	14,827
Deferred Revenue	-	-	177,835	9,082	179,785	218,199	72,645	657,546
Current Portion of Loans Payable	325,000	-	-	-	-	-	-	325,000
Total Current Liabilities	<u>3,444,183</u>	<u>374,576</u>	<u>529,770</u>	<u>329,512</u>	<u>722,486</u>	<u>494,556</u>	<u>453,468</u>	<u>6,348,551</u>
<b>LONG-TERM LIABILITIES</b>								
Accrued Interest	138,148	-	-	-	-	-	-	138,148
Deferred Rent Liability	-	-	265,397	-	559,047	-	846,207	1,670,651
Intracompany Payable	123,897	-	74,382	91,420	153,008	1,304,119	165,985	1,912,811
Loans Payable	750,000	-	-	-	-	-	-	750,000
Total Long-Term Liabilities	<u>1,012,045</u>	<u>-</u>	<u>339,779</u>	<u>91,420</u>	<u>712,055</u>	<u>1,304,119</u>	<u>1,012,192</u>	<u>4,471,610</u>
<b>NET ASSETS</b>								
Without Donor Restrictions	9,512,424	3,275,524	3,442,796	3,022,604	3,749,389	587,275	2,504,744	26,094,756
With Donor Restrictions	-	-	-	-	-	-	-	-
Total Net Assets	<u>9,512,424</u>	<u>3,275,524</u>	<u>3,442,796</u>	<u>3,022,604</u>	<u>3,749,389</u>	<u>587,275</u>	<u>2,504,744</u>	<u>26,094,756</u>
Total Liabilities and Net Assets	<u>\$ 13,968,652</u>	<u>\$ 3,650,100</u>	<u>\$ 4,312,345</u>	<u>\$ 3,443,536</u>	<u>\$ 5,183,930</u>	<u>\$ 2,385,950</u>	<u>\$ 3,970,404</u>	<u>\$ 36,914,917</u>

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SCHOOLS (CONTINUED)**  
**JUNE 30, 2019**

	From Page 1	California						Total Page 2	
		Alma	Spark	Fuerza	Redwood City	Rising Stars	Delta		Futuro
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and Cash Equivalents	\$ 15,247,779	\$ 1,550,461	\$ 3,081,119	\$ 2,177,802	\$ 326,193	\$ 1,554,409	\$ 428,582	\$ 321,506	\$ 24,687,851
Accounts Receivable	4,361,134	1,148,478	696,594	1,137,030	304,873	1,026,631	1,504,684	687,613	10,867,037
Grants Receivable	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Deposits	1,828,734	44,076	479,698	39,716	4,396	283,758	19,407	61,450	2,761,235
Total Current Assets	<u>21,437,647</u>	<u>2,743,015</u>	<u>4,257,411</u>	<u>3,354,548</u>	<u>635,462</u>	<u>2,864,798</u>	<u>1,952,673</u>	<u>1,070,569</u>	<u>38,316,123</u>
<b>LONG-TERM ASSETS</b>									
Intracompany Receivable	10,960,280	-	-	-	-	-	-	-	10,960,280
Security Deposits	326,830	100,000	-	-	-	-	-	-	426,830
Property, Plant, and Equipment, Net	4,190,160	389,717	169,575	46,670	8,491	6,208	80,998	5,112	4,896,931
Total Long-Term Assets	<u>15,477,270</u>	<u>489,717</u>	<u>169,575</u>	<u>46,670</u>	<u>8,491</u>	<u>6,208</u>	<u>80,998</u>	<u>5,112</u>	<u>16,284,041</u>
Total Assets	<u>\$ 36,914,917</u>	<u>\$ 3,232,732</u>	<u>\$ 4,426,986</u>	<u>\$ 3,401,218</u>	<u>\$ 643,953</u>	<u>\$ 2,871,006</u>	<u>\$ 2,033,671</u>	<u>\$ 1,075,681</u>	<u>\$ 54,600,164</u>
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Accounts Payable	\$ 5,235,559	\$ 437,678	\$ 478,294	\$ 481,601	\$ 187,054	\$ 321,757	303,292	\$ 385,305	\$ 7,830,540
Accrued Interest	115,619	-	-	-	-	-	-	-	115,619
Deferred Rent Liability	14,827	8,747	-	-	-	-	-	-	23,574
Deferred Revenue	657,546	173,097	81,652	-	-	-	-	-	912,295
Current Portion of Loans Payable	325,000	-	-	100,000	62,500	62,500	62,500	62,500	675,000
Total Current Liabilities	<u>6,348,551</u>	<u>619,522</u>	<u>559,946</u>	<u>581,601</u>	<u>249,554</u>	<u>384,257</u>	<u>365,792</u>	<u>447,805</u>	<u>9,557,028</u>
<b>LONG-TERM LIABILITIES</b>									
Accrued Interest	138,148	-	-	4,344	4,243	3,835	250	3,835	154,655
Deferred Rent Liability	1,670,651	146,269	-	1,479,118	-	-	631,605	-	3,927,643
Intracompany Payable	1,912,811	160,407	64,280	130,229	150,000	48,371	354,371	98,095	2,918,564
Loans Payable	750,000	-	-	-	100,000	162,500	187,500	162,500	1,362,500
Total Long-Term Liabilities	<u>4,471,610</u>	<u>306,676</u>	<u>64,280</u>	<u>1,613,691</u>	<u>254,243</u>	<u>214,706</u>	<u>1,173,726</u>	<u>264,430</u>	<u>8,363,362</u>
<b>NET ASSETS</b>									
Without Donor Restriction	26,094,756	2,306,534	3,802,760	1,205,926	140,156	2,272,043	494,153	363,446	36,679,774
With Donor Restriction	-	-	-	-	-	-	-	-	-
Total Net Assets	<u>26,094,756</u>	<u>2,306,534</u>	<u>3,802,760</u>	<u>1,205,926</u>	<u>140,156</u>	<u>2,272,043</u>	<u>494,153</u>	<u>363,446</u>	<u>36,679,774</u>
Total Liabilities and Net Assets	<u>\$ 36,914,917</u>	<u>\$ 3,232,732</u>	<u>\$ 4,426,986</u>	<u>\$ 3,401,218</u>	<u>\$ 643,953</u>	<u>\$ 2,871,006</u>	<u>\$ 2,033,671</u>	<u>\$ 1,075,681</u>	<u>\$ 54,600,164</u>

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SCHOOLS (CONTINUED)**  
**JUNE 30, 2019**

	From Page 2	Tennessee			Eliminations	RSED Total	Wisconsin	DC	Eliminations	Total
	Nashville NE	United	Partners Community							
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Cash and Cash Equivalents	\$ 24,687,851	\$ 61,906	\$ 1,027,125	\$ (519,744)	\$ -	\$ 25,257,138	\$ 836,447	\$ 3,966,106	\$ -	\$ 30,059,691
Accounts Receivable	10,867,037	49,564	417,819	-	-	11,334,420	503,846	428,358	-	12,266,624
Grants Receivable	-	-	-	-	-	-	75,000	100,000	-	175,000
Prepaid Expenses and Deposits	2,761,235	85,609	7,166	-	-	2,854,010	84,272	38,031	-	2,976,313
Total Current Assets	38,316,123	197,079	1,452,110	(519,744)	-	39,445,568	1,499,565	4,532,495	-	45,477,628
<b>LONG-TERM ASSETS</b>										
Intracompany Receivable	10,960,280	-	-	-	(4,386,309)	6,573,971	-	-	(6,573,971)	-
Security Deposits	426,830	-	-	-	-	426,830	-	-	-	426,830
Property, Plant, and Equipment, Net	4,896,931	16,248	9,182	56,738	-	4,979,099	30,219	-	-	5,009,318
Total Long-Term Assets	16,284,041	16,248	9,182	56,738	(4,386,309)	11,979,900	30,219	-	(6,573,971)	5,436,148
Total Assets	\$ 54,600,164	\$ 213,327	\$ 1,461,292	\$ (463,006)	\$ (4,386,309)	\$ 51,425,468	\$ 1,529,784	\$ 4,532,495	\$ (6,573,971)	\$ 50,913,776
<b>LIABILITIES AND NET ASSETS</b>										
<b>CURRENT LIABILITIES</b>										
Accounts Payable	\$ 7,830,540	\$ 457,508	\$ 287,969	\$ 2,556	\$ -	\$ 8,578,573	326,446	\$ 727,239	\$ -	\$ 9,632,258
Accrued Interest	115,619	-	-	-	-	115,619	-	-	-	115,619
Deferred Rent Liability	23,574	-	-	-	-	23,574	1,687	-	-	25,261
Deferred Revenue	912,295	-	-	-	-	912,295	-	-	-	912,295
Current Portion of Loans Payable	675,000	100,000	-	-	-	775,000	-	-	-	775,000
Total Current Liabilities	9,557,028	557,508	287,969	2,556	-	10,405,061	328,133	727,239	-	11,460,433
<b>LONG-TERM LIABILITIES</b>										
Accrued Interest	154,655	4,844	4,055	2,522	-	166,076	-	-	-	166,076
Deferred Rent Liability	3,927,643	-	199	-	-	3,927,842	52,774	2,194,222	-	6,174,838
Intracompany Payable	2,918,564	318,186	1,064,481	85,078	(4,386,309)	-	3,238,269	3,335,702	(6,573,971)	-
Loans Payable	1,362,500	-	100,000	100,000	-	1,562,500	-	-	-	1,562,500
Total Long-Term Liabilities	8,363,362	323,030	1,168,735	187,600	(4,386,309)	5,656,418	3,291,043	5,529,924	(6,573,971)	7,903,414
<b>NET ASSETS</b>										
Without Donor Restrictions	36,679,774	(667,211)	4,588	(653,162)	-	35,363,989	(2,176,842)	(1,824,668)	-	31,362,479
With Donor Restrictions	-	-	-	-	-	-	87,450	100,000	-	187,450
Total Net Assets	36,679,774	(667,211)	4,588	(653,162)	-	35,363,989	(2,089,392)	(1,724,668)	-	31,549,929
Total Liabilities and Net Assets	\$ 54,600,164	\$ 213,327	\$ 1,461,292	\$ (463,006)	\$ (4,386,309)	\$ 51,425,468	\$ 1,529,784	\$ 4,532,495	\$ (6,573,971)	\$ 50,913,776

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
CONSOLIDATING STATEMENT OF ACTIVITIES – SCHOOLS  
YEAR ENDED JUNE 30, 2019**

	California							Total Page 1
	National	Mateo Sheedy	Si Se Puede	Los Suenos	Mosaic	Discovery	Brilliant Minds	
<b>WITHOUT DONOR RESTRICTION</b>								
<b>REVENUES</b>								
LCFF State Aid & Property Tax Revenue	\$ -	\$ 4,943,428	\$ 4,259,541	\$ 4,640,702	\$ 5,958,926	\$ 4,724,324	\$ 6,072,991	\$ 30,599,912
Apportionment Revenue	-	-	-	-	-	-	-	-
Other State Revenue	-	1,419,706	1,125,431	1,136,988	1,672,016	1,295,008	1,709,366	8,358,515
Federal Revenue	26,141	752,378	594,865	668,657	750,264	643,754	750,232	4,186,291
Other Local Revenue	17,690,851	8,497	9,027	11,303	11,938	11,107	12,234	17,754,957
Contributions	4,029,988	10,155	7,560	5,539	75,246	9,756	9,891	4,148,135
Amounts Released from Restriction	92,384	-	-	-	-	-	-	92,384
<b>Total Without Donor Restriction Revenues</b>	<b>21,839,364</b>	<b>7,134,164</b>	<b>5,996,424</b>	<b>6,463,189</b>	<b>8,468,390</b>	<b>6,683,949</b>	<b>8,554,714</b>	<b>65,140,194</b>
<b>EXPENSES</b>								
Program Expenses:								
Educational Programs	-	5,835,985	5,130,809	5,144,017	6,788,952	5,619,779	6,407,944	34,927,486
Supporting Services:								
Administration and General	21,853,748	1,046,803	884,920	949,451	1,298,601	978,173	1,260,402	28,272,098
Fundraising	281,801	-	-	-	-	-	-	281,801
<b>Total Supporting Services</b>	<b>22,135,549</b>	<b>1,046,803</b>	<b>884,920</b>	<b>949,451</b>	<b>1,298,601</b>	<b>978,173</b>	<b>1,260,402</b>	<b>28,553,899</b>
<b>Total Expenses</b>	<b>22,135,549</b>	<b>6,882,788</b>	<b>6,015,729</b>	<b>6,093,468</b>	<b>8,087,553</b>	<b>6,597,952</b>	<b>7,668,346</b>	<b>63,481,385</b>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTION</b>	<b>(296,185)</b>	<b>251,376</b>	<b>(19,305)</b>	<b>369,721</b>	<b>380,837</b>	<b>85,997</b>	<b>886,368</b>	<b>1,658,809</b>
<b>NET ASSETS WITH DONOR RESTRICTION</b>								
Amounts Released from Restriction	(92,384)	-	-	-	-	-	-	(92,384)
<b>INCREASE (DECREASE) IN NET ASSETSWITH DONOR RESTRICTION</b>	<b>(92,384)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(92,384)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(388,569)</b>	<b>251,376</b>	<b>(19,305)</b>	<b>369,721</b>	<b>380,837</b>	<b>85,997</b>	<b>886,368</b>	<b>1,566,425</b>
Net Assets, Beginning of Year	9,900,993	3,024,148	3,462,101	2,652,883	3,368,552	501,278	1,618,376	24,528,331
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 9,512,424</b>	<b>\$ 3,275,524</b>	<b>\$ 3,442,796</b>	<b>\$ 3,022,604</b>	<b>\$ 3,749,389</b>	<b>\$ 587,275</b>	<b>\$ 2,504,744</b>	<b>\$ 26,094,756</b>

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES – SCHOOLS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	California								Total Page 2
	From Page 1	Alma	Spark	Fuerza	Redwood City	Rising Stars	Delta	Futuro	
<b>WITHOUT DONOR RESTRICTION</b>									
<b>REVENUES</b>									
LCFF State Aid & Property Tax Revenue	\$ 30,599,912	\$ 4,589,534	\$ 5,978,844	\$ 6,404,763	\$ 2,476,638	\$ 6,282,409	\$ 3,683,308	\$ 3,855,640	\$ 63,871,048
Apportionment Revenue	-	-	-	-	-	-	-	-	-
Other State Revenue	8,358,515	1,405,158	1,490,384	1,410,667	386,597	1,110,094	636,652	381,061	15,179,128
Federal Revenue	4,186,291	750,146	667,530	776,854	312,006	712,851	858,641	457,602	8,721,921
Other Local Revenue	17,754,957	14,017	50,441	14,129	689,368	27,932	1,001,368	12,639	19,564,851
Contributions	4,148,135	15,871	22,626	14,712	6,990	11,762	200,000	208,623	4,628,719
Amounts Released from Restriction	92,384	-	-	-	-	-	-	-	92,384
Total Without Donor Restriction Revenues	65,140,194	6,774,726	8,209,825	8,621,125	3,871,599	8,145,048	6,379,969	4,915,565	112,058,051
<b>EXPENSES</b>									
Program Expenses:									
Educational Programs	34,927,486	5,678,974	6,012,106	6,598,617	3,036,809	5,727,369	5,317,370	3,800,077	71,098,808
Supporting Services:									
Administration and General	28,272,098	968,601	1,262,951	1,274,211	433,293	1,219,516	709,265	696,614	34,836,549
Fundraising	281,801	-	-	-	-	-	-	-	281,801
Total Supporting Services	28,553,899	968,601	1,262,951	1,274,211	433,293	1,219,516	709,265	696,614	35,118,350
Total Expenses	63,481,385	6,647,575	7,275,057	7,872,828	3,470,102	6,946,885	6,026,635	4,496,691	106,217,158
<b>INCREASE (DECREASE) IN NET ASSETS</b>									
<b>WITHOUT DONOR RESTRICTION</b>	1,658,809	127,151	934,768	748,297	401,497	1,198,163	353,334	418,874	5,840,893
<b>NET ASSETS</b>									
<b>WITH DONOR RESTRICTION</b>									
Amounts Released from Restriction	(92,384)	-	-	-	-	-	-	-	(92,384)
<b>INCREASE (DECREASE) IN</b>									
<b>NET ASSETSWITH DONOR RESTRICTION</b>	(92,384)	-	-	-	-	-	-	-	(92,384)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	1,566,425	127,151	934,768	748,297	401,497	1,198,163	353,334	418,874	5,748,509
Net Assets, Beginning of Year	24,528,331	2,179,383	2,867,992	457,629	(261,341)	1,073,880	140,819	(55,428)	30,931,265
<b>NET ASSETS, END OF YEAR</b>	\$ 26,094,756	\$ 2,306,534	\$ 3,802,760	\$ 1,205,926	\$ 140,156	\$ 2,272,043	\$ 494,153	\$ 363,446	\$ 36,679,774

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES – SCHOOLS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	From Page 2	Tennessee			Eliminations	RSED Total	Wisconsin	DC	Eliminations	Total
		Nashville NE	United	Partners Community						
<b>WITHOUT DONOR RESTRICTION</b>										
<b>REVENUES</b>										
LCFF State Aid & Property Tax Revenue	\$ 63,871,048	\$ -	\$ -	\$ -	\$ -	\$ 63,871,048	\$ -	\$ -	\$ -	\$ 63,871,048
Apportionment Revenue	-	4,339,243	5,707,804	-	-	10,047,047	4,671,498	15,241,852	-	29,960,397
Other State Revenue	15,179,128	-	-	-	-	15,179,128	126,624	6,035,843	-	21,341,595
Federal Revenue	8,721,921	741,348	836,876	-	-	10,300,145	1,268,547	1,405,458	-	12,974,150
Other Local Revenue	19,564,851	306,355	709,444	8,418	(15,599,616)	4,989,452	10,459	1,845,631	(3,334,142)	3,511,400
Contributions	4,628,719	22,356	10,352	-	-	4,661,427	237,061	562,661	-	5,461,149
Amounts Released from Restriction	92,384	-	-	-	-	92,384	542,296	165,000	-	799,680
Total Without Donor Restriction Revenues	112,058,051	5,409,302	7,264,476	8,418	(15,599,616)	109,140,631	6,856,485	25,256,445	(3,334,142)	137,919,419
<b>EXPENSES</b>										
Program Expenses:										
Educational Programs	71,098,808	4,849,410	5,482,894	7,283	-	81,438,395	6,042,468	22,060,812	-	109,541,675
Supporting Services:										
Administration and General	34,836,549	759,571	984,305	-	(15,599,616)	20,980,809	924,097	2,790,485	(3,334,142)	21,361,249
Fundraising	281,801	-	-	-	-	281,801	-	-	-	281,801
Total Supporting Services	35,118,350	759,571	984,305	-	(15,599,616)	21,262,610	924,097	2,790,485	(3,334,142)	21,643,050
Total Expenses	106,217,158	5,608,981	6,467,199	7,283	(15,599,616)	102,701,005	6,966,565	24,851,297	(3,334,142)	131,184,725
<b>INCREASE (DECREASE) IN NET ASSETS</b>										
<b>WITHOUT DONOR RESTRICTION</b>	5,840,893	(199,679)	797,277	1,135	-	6,439,626	(110,080)	405,148	-	6,734,694
<b>NET ASSETS</b>										
<b>WITH DONOR RESTRICTION</b>										
Amounts Released from Restriction	(92,384)	-	-	-	-	(92,384)	(542,296)	(165,000)	-	(799,680)
<b>INCREASE (DECREASE) IN</b>										
<b>NET ASSETSWITH DONOR RESTRICTION</b>	(92,384)	-	-	-	-	(92,384)	(542,296)	(165,000)	-	(799,680)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	5,748,509	(199,679)	797,277	1,135	-	6,347,242	(652,376)	240,148	-	5,935,014
Net Assets, Beginning of Year	30,931,265	(467,532)	(792,689)	(654,297)	-	29,016,747	(1,437,016)	(1,964,816)	-	25,614,915
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 36,679,774</u>	<u>\$ (667,211)</u>	<u>\$ 4,588</u>	<u>\$ (653,162)</u>	<u>\$ -</u>	<u>\$ 35,363,989</u>	<u>\$ (2,089,392)</u>	<u>\$ (1,724,668)</u>	<u>\$ -</u>	<u>\$ 31,549,929</u>

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS – SCHOOLS**  
**YEAR ENDED JUNE 30, 2019**

	California							Total Page 1
	National	Mateo Sheedy	Si Se Puede	Los Suenos	Mosaic	Discovery	Brilliant Minds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Change in Net Assets	\$ (388,569)	\$ 251,376	\$ (19,305)	\$ 369,721	\$ 380,837	\$ 85,997	\$ 886,368	\$ 1,566,425
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:								
Depreciation	98,500	39,396	28,946	28,214	31,189	30,041	4,839	261,125
(Increase) Decrease in Operating Assets:								
Accounts Receivable	147,187	(388,214)	(132,979)	270,313	(24,309)	782,922	24,700	679,620
Grants Receivable	-	-	-	-	-	-	-	-
Prepaid Expenses and Deposits	(145,887)	127,316	(15,486)	(128,695)	10,432	10,920	(5,196)	(146,596)
Increase (Decrease) in Operating Liabilities:								
Accounts Payable and Accrued Liabilities	809,067	105,544	108,937	77,510	164,234	(43,594)	46,372	1,268,070
Deferred Revenue	-	(110,731)	-	(26,220)	(29,001)	(29,000)	(49,874)	(244,826)
Deferred Rent Liability	-	(30)	(6,615)	-	(1,941)	-	(20,656)	(29,242)
Net Cash Flows from Operating Activities	<u>520,298</u>	<u>24,657</u>	<u>(36,502)</u>	<u>590,843</u>	<u>531,441</u>	<u>837,286</u>	<u>886,553</u>	<u>3,354,576</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchase of Property, Plant, and Equipment	-	-	-	-	-	-	(11,159)	(11,159)
Net Cash Flows from Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,159)</u>	<u>(11,159)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Intracompany Loans	(423,080)	(4,067)	(13,924)	(43,680)	(50,512)	(494,375)	10,360	(1,019,278)
Proceeds from Debt	-	-	-	-	-	-	-	-
Repayment of Debt	-	-	-	-	-	-	-	-
Net Cash Flows from Financing Activities	<u>(423,080)</u>	<u>(4,067)</u>	<u>(13,924)</u>	<u>(43,680)</u>	<u>(50,512)</u>	<u>(494,375)</u>	<u>10,360</u>	<u>(1,019,278)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	97,218	20,590	(50,426)	547,163	480,929	342,911	885,754	2,324,139
Cash and Cash Equivalents, Beginning of Year	<u>2,294,190</u>	<u>1,046,446</u>	<u>2,773,820</u>	<u>1,061,482</u>	<u>3,327,002</u>	<u>346,290</u>	<u>2,074,410</u>	<u>12,923,640</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,391,408</u>	<u>\$ 1,067,036</u>	<u>\$ 2,723,394</u>	<u>\$ 1,608,645</u>	<u>\$ 3,807,931</u>	<u>\$ 689,201</u>	<u>\$ 2,960,164</u>	<u>\$ 15,247,779</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>								
Cash Paid for Interest	<u>\$ 8,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,001</u>

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS – SCHOOLS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	California								Total Page 2
	From Page 1	Alma	Spark	Fuerza	Redwood City	Rising Stars	Delta	Futuro	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Change in Net Assets	\$ 1,566,425	\$ 127,151	\$ 934,768	\$ 748,297	\$ 401,497	\$ 1,198,163	\$ 353,334	\$ 418,874	\$ 5,748,509
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:									
Depreciation	261,125	18,929	6,246	4,282	7,838	2,980	16,502	(14,572)	303,330
(Increase) Decrease in Operating Assets:									
Accounts Receivable	679,620	(68,323)	(417,826)	(442,067)	64,817	(494,401)	(1,271,559)	(105,210)	(2,054,949)
Grants Receivable	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Deposits	(146,596)	(23,641)	(88,700)	(20,382)	4,186	(193,865)	(6,835)	(46,641)	(522,474)
Increase (Decrease) in Operating Liabilities:									
Accounts Payable and Accrued Liabilities	1,268,070	151,854	132,188	189,433	(32,055)	87,169	280,861	240,880	2,318,400
Deferred Revenue	(244,826)	(78,677)	(49,667)	(15,920)	-	181	-	(23,466)	(412,375)
Deferred Rent Liability	(29,242)	3,976	(1)	33,243	-	-	631,605	-	639,581
Net Cash Flows from Operating Activities	<u>3,354,576</u>	<u>131,269</u>	<u>517,008</u>	<u>496,886</u>	<u>446,283</u>	<u>600,227</u>	<u>3,908</u>	<u>469,865</u>	<u>6,020,022</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Purchase of Property, Plant, and Equipment	(11,159)	(19,011)	(15,325)	-	-	-	(97,500)	-	(142,995)
Net Cash Flows from Investing Activities	<u>(11,159)</u>	<u>(19,011)</u>	<u>(15,325)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,500)</u>	<u>-</u>	<u>(142,995)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Intracompany Loans	(1,019,278)	59,622	(55,410)	22,273	(325,000)	(87,176)	267,495	(485,872)	(1,623,346)
Proceeds from Debt	-	-	-	-	-	-	250,000	-	250,000
Repayment of Debt	-	-	-	-	(41,676)	(4)	-	(125,000)	(166,680)
Net Cash Flows from Financing Activities	<u>(1,019,278)</u>	<u>59,622</u>	<u>(55,410)</u>	<u>22,273</u>	<u>(366,676)</u>	<u>(87,180)</u>	<u>517,495</u>	<u>(610,872)</u>	<u>(1,540,026)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>2,324,139</u>	<u>171,880</u>	<u>446,273</u>	<u>519,159</u>	<u>79,607</u>	<u>513,047</u>	<u>423,903</u>	<u>(141,007)</u>	<u>4,337,001</u>
Cash and Cash Equivalents - Beginning of Year	<u>12,923,640</u>	<u>1,378,581</u>	<u>2,634,846</u>	<u>1,658,643</u>	<u>246,586</u>	<u>1,041,362</u>	<u>4,679</u>	<u>462,513</u>	<u>20,350,850</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 15,247,779</u>	<u>\$ 1,550,461</u>	<u>\$ 3,081,119</u>	<u>\$ 2,177,802</u>	<u>\$ 326,193</u>	<u>\$ 1,554,409</u>	<u>\$ 428,582</u>	<u>\$ 321,506</u>	<u>\$ 24,687,851</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>									
Cash Paid for Interest	<u>8,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>9,075</u>

See accompanying Auditors' Report and the Notes to Supplementary Information.



**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS – SCHOOLS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	From Page 2	Tennessee			RSED Total	Wisconsin	DC	Total
		Nashville NE	United	Partners Community				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Change in Net Assets	\$ 5,748,509	\$ (199,679)	\$ 797,277	\$ 1,135	\$ 6,347,242	\$ (652,376)	\$ 240,148	\$ 5,935,014
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:								
Depreciation	303,330	3,085	3,385	4,615	314,415	11,085	-	325,500
(Increase) Decrease in Operating Assets:								
Accounts Receivable	(2,054,949)	(72,759)	27,271	1,573	(2,098,864)	(500,179)	(428,358)	(3,027,401)
Grants Receivable	-	-	-	-	-	533,532	770,751	1,304,283
Prepaid Expenses and Deposits	(522,474)	(12,030)	19,777	13,648	(501,079)	(30,929)	9,891	(522,117)
Increase (Decrease) in Operating Liabilities:								
Accounts Payable and Accrued Liabilities	2,318,400	188,907	(32,534)	(142,801)	2,331,972	(8,830)	(1,029)	2,322,113
Deferred Revenue	(412,375)	-	-	-	(412,375)	-	-	(412,375)
Deferred Rent Liability	639,581	(2,296)	(520,220)	-	117,065	(2,914)	(108,655)	5,496
Net Cash Flows from Operating Activities	<u>6,020,022</u>	<u>(94,772)</u>	<u>294,956</u>	<u>(121,830)</u>	<u>6,098,376</u>	<u>(650,611)</u>	<u>482,748</u>	<u>5,930,513</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchase of Property, Plant, and Equipment	(142,995)	-	-	(1,346)	(144,341)	(21,085)	-	(165,426)
Net Cash Flows from Investing Activities	<u>(142,995)</u>	<u>-</u>	<u>-</u>	<u>(1,346)</u>	<u>(144,341)</u>	<u>(21,085)</u>	<u>-</u>	<u>(165,426)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Intracompany Loans	(1,623,346)	39,168	(40,155)	-	(1,624,333)	594,912	1,029,421	-
Proceeds from Debt	250,000	-	-	-	250,000	-	-	250,000
Repayment of Debt	(166,680)	-	-	-	(166,680)	-	-	(166,680)
Net Cash Flows from Financing Activities	<u>(1,540,026)</u>	<u>39,168</u>	<u>(40,155)</u>	<u>-</u>	<u>(1,541,013)</u>	<u>594,912</u>	<u>1,029,421</u>	<u>83,320</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>4,337,001</u>	<u>(55,604)</u>	<u>254,801</u>	<u>(123,176)</u>	<u>4,413,022</u>	<u>(76,784)</u>	<u>1,512,169</u>	<u>5,848,407</u>
Cash and Cash Equivalents, Beginning of Year	<u>20,350,850</u>	<u>117,510</u>	<u>772,324</u>	<u>(396,568)</u>	<u>20,844,116</u>	<u>913,231</u>	<u>2,453,937</u>	<u>24,211,284</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 24,687,851</u>	<u>\$ 61,906</u>	<u>\$ 1,027,125</u>	<u>\$ (519,744)</u>	<u>\$ 25,257,138</u>	<u>\$ 836,447</u>	<u>\$ 3,966,106</u>	<u>\$ 30,059,691</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>								
Cash Paid for Interest	<u>\$ 9,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,075</u>

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
SCHEDULE OF INSTRUCTIONAL MINUTES)  
YEAR ENDED JUNE 30, 2019**

	2018-19 Minutes		Traditional Days	Status
	Requirement	Actual		
Kindergarten/Transitional Kindergarten				
RMS	36,000	47,340	180	In compliance
RSSP	36,000	59,440	180	In compliance
RLS	36,000	64,220	180	In compliance
ROMO	36,000	54,780	180	In compliance
RDP	36,000	64,860	180	In compliance
RBM	36,000	65,320	180	In compliance
RSA	36,000	67,360	180	In compliance
RSK	36,000	67,060	180	In compliance
RFZ	36,000	61,200	180	In compliance
RRWC	36,000	63,000	180	In compliance
RFA	36,000	63,520	180	In compliance
RRS	36,000	71,400	180	In compliance
RDL	36,000	71,400	180	In compliance
Grade 1:				
RMS	50,400	52,060	180	In compliance
RSSP	50,400	55,820	180	In compliance
RLS	50,400	58,860	180	In compliance
ROMO	50,400	50,720	180	In compliance
RDP	50,400	54,700	180	In compliance
RBM	50,400	58,100	180	In compliance
RSA	50,400	61,960	180	In compliance
RSK	50,400	54,780	180	In compliance
RFZ	50,400	54,935	180	In compliance
RRWC	50,400	61,460	180	In compliance
RFA	50,400	59,040	180	In compliance
RRS	50,400	56,340	180	In compliance
RDL	50,400	56,340	180	In compliance
Grade 2:				
RMS	50,400	51,840	178	In compliance
RSSP	50,400	55,820	180	In compliance
RLS	50,400	58,860	180	In compliance
ROMO	50,400	52,520	180	In compliance
RDP	50,400	54,700	180	In compliance
RBM	50,400	59,000	180	In compliance
RSA	50,400	61,960	180	In compliance
RSK	50,400	54,780	180	In compliance
RFZ	50,400	54,280	180	In compliance
RRWC	50,400	54,980	180	In compliance
RFA	50,400	56,580	180	In compliance
RRS	50,400	51,860	180	In compliance
RDL	50,400	51,860	180	In compliance

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**SCHEDULE OF INSTRUCTIONAL MINUTES – CALIFORNIA (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	2018-19 Minutes		Traditional Days	Status
	Requirement	Actual		
Grade 3:				
RMS	50,400	52,980	178	In compliance
RSSP	50,400	56,940	180	In compliance
RLS	50,400	55,220	180	In compliance
ROMO	50,400	52,520	180	In compliance
RDP	50,400	54,700	180	In compliance
RBM	50,400	59,000	180	In compliance
RSA	50,400	62,860	180	In compliance
RSK	50,400	55,440	180	In compliance
RFZ	50,400	54,280	180	In compliance
RRWC	50,400	54,980	180	In compliance
RFA	50,400	56,580	180	In compliance
RRS	50,400	51,860	180	In compliance
RDL	50,400	51,860	180	In compliance
Grade 4:				
RMS	54,000	54,100	178	In compliance
RSSP	54,000	58,300	180	In compliance
RLS	54,000	55,220	180	In compliance
ROMO	54,000	55,000	180	In compliance
RDP	54,000	54,700	180	In compliance
RBM	54,000	60,120	180	In compliance
RSA	54,000	62,860	180	In compliance
RSK	54,000	56,120	180	In compliance
RFZ	54,000	54,740	180	In compliance
RRWC	54,000	60,100	180	In compliance
RFA	54,000	56,580	180	In compliance
RRS	54,000	52,540	180	In compliance
RDL	54,000	52,540	180	In compliance
Grade 5:				
RMS	54,000	54,100	180	In compliance
RSSP	54,000	58,300	180	In compliance
RLS	54,000	55,220	180	In compliance
ROMO	54,000	55,000	180	In compliance
RDP	54,000	54,700	180	In compliance
RBM	54,000	60,120	180	In compliance
RSA	54,000	62,860	180	In compliance
RSK	54,000	57,920	180	In compliance
RFZ	54,000	54,740	180	In compliance
RRWC	54,000	60,320	180	In compliance
RRS	54,000	54,953	180	In compliance

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
SCHEDULE OF AVERAGE DAILY ATTENDANCE – CALIFORNIA  
YEAR ENDED JUNE 30, 2019**

	Second		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades TK/K-3:				
RMS	330.30	330.70	322.30	332.61
RSSP	300.76	300.84	301.72	302.06
RLS	323.19	323.78	322.46	322.88
ROMO	423.06	425.05	424.02	425.66
RDP	389.31	390.10	389.49	390.30
RBM	423.76	425.31	427.06	428.61
RDL	329.51	329.76	320.44	320.68
RSA	354.80	354.86	354.06	354.11
RSK	460.12	462.77	457.99	460.77
RFZ	468.84	470.32	468.25	469.79
RRWC	189.39	189.51	191.73	191.82
RRS	509.35	509.79	506.26	506.77
RFA	373.09	373.70	372.75	373.44
Subtotal	<u>4,875.48</u>	<u>4,886.49</u>	<u>4,858.53</u>	<u>4,879.50</u>
Grades 4-6:				
RMS	190.69	191.15	191.13	191.49
RSSP	92.62	92.67	91.19	91.23
RLS	105.87	106.15	105.85	106.05
ROMO	135.98	136.60	135.68	136.30
RDP	106.02	106.02	105.42	105.51
RBM	138.50	138.91	138.30	138.77
RDL	45.09	45.09	42.25	42.25
RSA	129.59	129.62	128.89	128.92
RSK	120.87	121.31	120.11	120.89
RFZ	130.52	130.96	130.03	130.36
RRWC	65.15	65.15	63.79	63.79
RRS	81.23	81.29	80.83	80.94
RFA	26.45	26.56	26.41	26.56
Subtotal	<u>1,368.58</u>	<u>1,371.48</u>	<u>1,359.88</u>	<u>1,363.06</u>
Grand Total	<u><u>6,244.06</u></u>	<u><u>6,257.97</u></u>	<u><u>6,218.41</u></u>	<u><u>6,242.56</u></u>

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

	Mateo Sheedy	Si Se Puede	Los Suenos	Mosaic	Discovery	Brilliant Minds
June 30, 2019 Annual Financial Report Fund Balances (Net Assets)	\$ 3,292,580	\$ 3,457,991	\$ 3,049,414	\$ 3,829,552	\$ 601,581	\$ 2,519,116
Increase (Decrease) of Fund Balance (Net Assets):						
Cash and cash equivalents	(25,984)	(19,113)	(26,969)	(53,784)	(41,255)	(28,016)
Accounts receivable	(3,896)	(3,897)	(14,396)	(166)	(1,563)	(3,897)
Prepaid expenses and deposits	53	-	-	-	-	-
Accounts payable	12,771	7,815	14,555	(26,213)	28,512	17,541
Net Adjustments and Reclassifications	(17,056)	(15,195)	(26,810)	(80,163)	(14,306)	(14,372)
June 30, 2019 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 3,275,524</u>	<u>\$ 3,442,796</u>	<u>\$ 3,022,604</u>	<u>\$ 3,749,389</u>	<u>\$ 587,275</u>	<u>\$ 2,504,744</u>

	Alma	Spark	Fuerza	Redwood City	Rising Stars	Delta	Futuro
June 30, 2019 Annual Financial Report Fund Balances (Net Assets)	\$ 2,319,051	\$ 3,883,384	\$ 1,219,229	\$ 438,839	\$ 2,291,304	\$ 511,657	\$ 834,091
Increase (Decrease) of Fund Balance (Net Assets):							
Cash and cash equivalents	(42,962)	(49,928)	(28,396)	4,913	21,513	(14,302)	(140,267)
Accounts receivable	(3,892)	(3,838)	(3,896)	(3,467)	(4,931)	(3,007)	(34,742)
Accounts payable	34,337	(26,858)	23,333	16,614	26,653	(195)	(66,801)
Current portion of loans payable	-	-	-	(62,500)	(62,500)	(62,500)	(62,500)
Accrued interest	-	-	(4,344)	(4,243)	(3,835)	(250)	(3,835)
Intracompany payable	-	-	-	(150,000)	-	-	-
Loans payable	-	-	-	(100,000)	3,839	62,750	(162,500)
Net Adjustments and Reclassifications	(12,517)	(80,624)	(13,303)	(298,683)	(19,261)	(17,504)	(470,645)
June 30, 2019 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 2,306,534</u>	<u>\$ 3,802,760</u>	<u>\$ 1,205,926</u>	<u>\$ 140,156</u>	<u>\$ 2,272,043</u>	<u>\$ 494,153</u>	<u>\$ 363,446</u>

\*RRWC Redwood City (RRWC) and Futuro (RFA) reported their unaudited actuals on the modified accrual basis of accounting and some of the variances shown are a result of the audited consolidated financial statements presented on the accrual basis of accounting.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	Delta	RSA	Total Page
<b>U.S. Department of Education</b>												
Pass Through Program From:												
California Department of Education												
Title I, Part A, Basic Grants												
Low-Income and Neglected	84.010	14329	\$ -	\$ 232,327	\$ 204,737	\$ 203,972	\$ 204,401	\$ 181,522	\$ 207,837	\$ 121,583	\$ 202,661	\$ 1,559,040
Metro Nashville Public Schools												
Title I, Part A, Basic Grants												
Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction												
Title I, Part A, Basic Grants												
Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	-	-	-	-
DC State Board of Education												
Title I, Part A, Basic Grants												
Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	-	-	-	-
Title I, Part A, Basic Grants												
<i>Low-Income and Neglected Totals</i>												
			-	232,327	204,737	203,972	204,401	181,522	207,837	121,583	202,661	1,559,040
Pass Through Program From:												
California Department of Education												
Title II												
84.367	14341		-	28,094	21,115	22,452	26,027	22,740	23,260	16,718	24,245	184,651
Metro Nashville Public Schools												
Title II												
84.367	N/A		-	-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction												
Title II												
84.367	N/A		-	-	-	-	-	-	-	-	-	-
DC State Board of Education												
Title II												
84.367	N/A		-	-	-	-	-	-	-	-	-	-
Title II Totals												
			-	28,094	21,115	22,452	26,027	22,740	23,260	16,718	24,245	184,651

N/A – Not Available

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	Total Previous Page	RSK	RFZ	RRWC	RRS	RFA	Tennessee	Wisconsin	DC	Federal Expenditures
<b>U.S. Department of Education</b>												
Pass Through Program From:												
California Department of Education												
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,559,040	\$ 175,257	\$ 203,856	\$ 95,762	\$ 182,725	\$ 119,727	\$ -	\$ -	\$ -	\$ 2,336,367
Metro Nashville Public Schools												
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	571,448	-	-	571,448
Wisconsin Department of Public Instruction												
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	-	275,202	-	275,202
DC State Board of Education												
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	-	-	341,697	341,697
Title I, Part A, Basic Grants Low-Income and Neglected Totals			1,559,040	175,257	203,856	95,762	182,725	119,727	571,448	275,202	341,697	3,524,714
Pass Through Program From:												
California Department of Education												
Title II	84.367	14341	184,651	23,880	26,690	12,211	23,734	16,605	-	-	-	287,771
Metro Nashville Public Schools												
Title II	84.367	N/A	-	-	-	-	-	-	24,867	-	-	24,867
Wisconsin Department of Public Instruction												
Title II	84.367	N/A	-	-	-	-	-	-	-	33,759	-	33,759
DC State Board of Education												
Title II	84.367	N/A	-	-	-	-	-	-	-	-	63,360	63,360
Title II Totals			184,651	23,880	26,690	12,211	23,734	16,605	24,867	33,759	63,360	409,757

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	Delta	RSA	Total Page
Pass Through Program From:												
California Department of Education												
Title III - Immigrant Education Program	84.365	15146	\$ -	\$ -	\$ -	\$ -	\$ 3,737	\$ 2,655	\$ -	\$ -	\$ -	\$ 6,392
Title III - Limited English Proficiency	84.365	14356	-	24,782	30,871	30,551	39,310	32,901	35,357	-	26,385	220,157
Metro Nashville Public Schools												
Title III	84.365	N/A	-	-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction												
Title III	84.365	N/A	-	-	-	-	-	-	-	-	-	-
Title III Totals			-	24,782	30,871	30,551	43,047	35,556	35,357	-	26,385	226,549
Pass Through Program From:												
U.S. Department of Education												
Wisconsin Department of Public Instruction												
DC State Board of Education												
Title IV	84.027A	N/A	-	16,870	14,867	14,811	14,842	13,181	15,448	-	14,716	104,735
Title IV Totals			-	16,870	14,867	14,811	14,842	13,181	15,448	-	14,716	104,735
Pass Through Program From:												
Charter School Grant												
Charter School Program Cluster	84.282M	N/A	26,141	-	-	-	-	-	-	546,947	-	573,088
			26,141	-	-	-	-	-	-	546,947	-	573,088
Pass Through Program From:												
DC State Board of Education												
Scholarships for Opportunity and Results	84.370C	N/A	-	-	-	-	-	-	-	-	-	-
Pass Through Program From:												
U.S. Department of Education												
Special Education IDEA	84.027	13379	-	79,290	61,175	67,306	79,987	70,372	79,290	-	71,487	508,907
Metro Nashville Public Schools												
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction												
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	-	-	-
DC State Board of Education												
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	-	-	-
Special Education IDEA Totals			-	79,290	61,175	67,306	79,987	70,372	79,290	-	71,487	508,907
Pass Through Program From:												
Wisconsin Department of Public Instruction												
Special Education IDEA Preschool	84.173	N/A	-	-	-	-	-	-	-	-	-	-
Special Education IDEA Preschool Totals			-	-	-	-	-	-	-	-	-	-
Special IDEA Education Cluster			-	79,290	61,175	67,306	79,987	70,372	79,290	-	71,487	508,907
Total U.S. Department of Education			26,141	381,363	332,765	339,092	368,304	323,371	361,192	685,248	339,494	3,156,970

See accompanying Auditors' Report and the Notes to Supplementary Information.



**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	Total Previous Page	RSK	RFZ	RRWC	RRS	RFA	Tennessee	Wisconsin	DC	Federal Expenditures
Pass Through Program From:												
California Department of Education												
Title III - Immigrant Education Program	84.365	15146	\$ 6,392	\$ -	\$ -	\$ -	\$ 3,344	\$ -	\$ -	\$ -	\$ -	\$ 9,736
Title III - Limited English Proficiency	84.365	14356	220,157	24,035	37,387	16,130	37,707	24,782	-	-	-	360,198
Metro Nashville Public Schools												
Title III	84.365	N/A	-	-	-	-	-	-	29,670	-	-	29,670
Wisconsin Department of Public Instruction												
Title III	84.365	N/A	-	-	-	-	-	-	-	26,021	-	26,021
Title III Totals			<u>226,549</u>	<u>24,035</u>	<u>37,387</u>	<u>16,130</u>	<u>41,051</u>	<u>24,782</u>	<u>29,670</u>	<u>26,021</u>	<u>-</u>	<u>425,625</u>
Pass Through Program From:												
U.S. Department of Education												
DC State Board of Education												
Title IV	84.027A		<u>104,735</u>	<u>12,726</u>	<u>13,085</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>6,493</u>	<u>54,779</u>	<u>221,818</u>
Title IV Totals			<u>104,735</u>	<u>12,726</u>	<u>13,085</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>6,493</u>	<u>54,779</u>	<u>221,818</u>
Pass Through Program From:												
U.S. Department of Education												
Charter School Program Cluster	84.282M	N/A	<u>573,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>290,724</u>	<u>1,566</u>	<u>865,378</u>
			<u>573,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>290,724</u>	<u>1,566</u>	<u>865,378</u>
Pass Through Program From:												
DC State Board of Education												
Scholarships for Opportunity and Results	84.370C	N/A	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,498</u>	<u>65,498</u>
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,498</u>	<u>65,498</u>
Pass Through Program From:												
U.S. Department of Education												
Special Education IDEA	84.027	13379	508,907	83,749	85,561	39,854	78,175	40,412	-	-	-	836,658
Metro Nashville Public Schools												
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	176,195	-	-	176,195
Wisconsin Department of Public Instruction												
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	104,232	-	104,232
DC State Board of Education												
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	-	60,606	60,606
Special Education IDEA Totals			<u>508,907</u>	<u>83,749</u>	<u>85,561</u>	<u>39,854</u>	<u>78,175</u>	<u>40,412</u>	<u>176,195</u>	<u>104,232</u>	<u>60,606</u>	<u>1,177,691</u>
Pass Through Program From:												
Wisconsin Department of Public Instruction												
Special Education IDEA Preschool	84.173	N/A	-	-	-	-	-	-	-	11,806	-	11,806
Special Education IDEA Preschool Totals			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,806</u>	<u>-</u>	<u>11,806</u>
Special IDEA Education Cluster			<u>508,907</u>	<u>83,749</u>	<u>85,561</u>	<u>39,854</u>	<u>78,175</u>	<u>40,412</u>	<u>176,195</u>	<u>116,038</u>	<u>60,606</u>	<u>1,189,497</u>
Total U.S Department of Education			<u>3,156,970</u>	<u>319,647</u>	<u>366,579</u>	<u>173,957</u>	<u>335,685</u>	<u>211,526</u>	<u>802,180</u>	<u>748,237</u>	<u>587,506</u>	<u>6,702,287</u>

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	Delta	RSA	Total Page
<b>U.S. Department of Agriculture:</b>												
Pass Through Program From												
California Department of Education National School Lunch Program	10.555	N/A	\$ -	\$ 191,457	\$ 160,539	\$ 193,751	\$ 189,552	\$ 177,615	\$ 194,994	\$ 94,572	\$ 207,025	\$ 1,409,505
Metro Nashville Public Schools National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	-	-
DC State Board of Education National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	-	-
National School Lunch Program Totals			-	191,457	160,539	193,751	189,552	177,615	194,994	94,572	207,025	1,409,505
Pass Through Program From:												
U.S. Department of Education												
Wisconsin Department of Public Instruction												
DC State Board of Education												
Fresh Fruits and Vegetables Program	10.582	N/A	-	28,450	-	-	-	-	-	-	25,450	53,900
Fresh Fruits and Vegetables Program Totals			-	28,450	-	-	-	-	-	-	25,450	53,900
California Department of Education												
School Breakfast Program	10.553	N/A	-	126,172	82,333	112,368	162,651	118,704	164,364	60,265	149,723	976,580
NSLP Commodities	10.553	N/A	-	22,814	17,106	21,324	27,635	21,942	27,560	16,434	26,332	181,147
Metro Nashville Public Schools School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	-	-
Donated Commodities - Noncash	10.555	N/A	-	-	-	-	-	-	-	-	-	-
DC State Board of Education School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	-	-
School Breakfast Program and Commodities Totals			-	148,986	99,439	133,692	190,286	140,646	191,924	76,699	176,055	1,157,727
Child Nutrition Cluster			-	368,893	259,978	327,443	379,838	318,261	386,918	171,271	408,530	2,621,132
Total U.S. Department of Agriculture:			-	368,893	259,978	327,443	379,838	318,261	386,918	171,271	408,530	2,621,132
<b>U.S. Department of Health and Human Services:</b>												
Pass Through Program From												
California Department of Education:												
Medicaid	93.778	N/A	-	2,122	2,122	2,122	2,122	2,122	2,122	2,122	2,122	16,976
Pass Through Program From												
Wisconsin Department of Health Services:												
Medical Assistance Program	93.778	N/A	-	-	-	-	-	-	-	-	-	-
MEDICAID Cluster			-	2,122	2,122	2,122	2,122	2,122	2,122	2,122	2,122	16,976
Total U.S. Department of Health and Human Services			-	2,122	2,122	2,122	2,122	2,122	2,122	2,122	2,122	16,976
Total Federal Expenditures			\$ 26,141	\$ 752,378	\$ 594,865	\$ 668,657	\$ 750,264	\$ 643,754	\$ 750,232	\$ 858,641	\$ 750,146	\$ 5,795,078

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	Total Previous Page	RSK	RFZ	RRWC	RRS	RFA	Tennessee	Wisconsin	DC	Federal Expenditures
<b>U.S. Department of Agriculture:</b>												
Pass Through Program From												
California Department of Education National School Lunch Program	10.555	N/A	\$ 1,409,505	\$ 184,717	\$ 219,177	\$ 79,638	\$ 209,215	\$ 133,181	\$ -	\$ -	\$ -	\$ 2,235,433
Metro Nashville Public Schools National School Lunch Program	10.555	N/A	-	-	-	-	-	-	431,496	-	-	431,496
Wisconsin Department of Public Instruction National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	285,550	-	285,550
DC State Board of Education National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	497,922	497,922
National School Lunch Program Totals			1,409,505	184,717	219,177	79,638	209,215	133,181	431,496	285,550	497,922	3,450,401
Pass Through Program From:												
U.S. Department of Education												
Wisconsin Department of Public Instruction												
DC State Board of Education												
Fresh Fruits and Vegetables Program	10.582	N/A	53,900	-	-	-	-	-	49,252	28,368	21,969	153,489
Fresh Fruits and Vegetables Program Totals			53,900	-	-	-	-	-	49,252	28,368	21,969	153,489
California Department of Education												
School Breakfast Program	10.553	N/A	976,580	132,884	160,156	48,467	137,016	94,519	-	-	-	1,549,622
NSLP Commodities	10.553	N/A	181,147	28,160	28,820	9,944	28,813	17,268	-	-	-	294,152
Metro Nashville Public Schools												
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	295,296	-	-	295,296
Wisconsin Department of Public Instruction												
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	173,077	-	173,077
Donated Commodities - Noncash	10.553	N/A	-	-	-	-	-	-	-	27,157	-	27,157
DC State Board of Education												
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	298,061	298,061
School Breakfast Program and Commodities Totals			1,157,727	161,044	188,976	58,411	165,829	111,787	295,296	200,234	298,061	2,637,365
Child Nutrition Cluster			2,621,132	345,761	408,153	138,049	375,044	244,968	776,044	514,152	817,952	6,241,255
Total U.S. Department of Agriculture:			2,621,132	345,761	408,153	138,049	375,044	244,968	776,044	514,152	817,952	6,241,255
<b>U.S. Department of Health and Human Services:</b>												
Pass Through Program From												
California Department of Education:												
Medicaid	93.778	N/A	16,976	2,122	2,122	-	2,122	1,108	-	-	-	24,450
Pass Through Program From												
Wisconsin Department of Health Services:												
Medical Assistance Program	93.778	N/A	-	-	-	-	-	-	-	6,158	-	6,158
MEDICAID Cluster			16,976	2,122	2,122	-	2,122	1,108	-	6,158	-	30,608
Total U.S. Department of Health and Human Services			16,976	2,122	2,122	-	2,122	1,108	-	6,158	-	30,608
Total Federal Expenditures			\$ 5,795,078	\$ 667,530	\$ 776,854	\$ 312,006	\$ 712,851	\$ 457,602	\$ 1,578,224	\$ 1,268,547	\$ 1,405,458	\$ 12,974,150

See accompanying Auditors' Report and the Notes to Supplementary Information.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

**PURPOSE OF SCHEDULES**

**NOTE 1 CONSOLIDATING STATEMENTS**

These statements provide detailed financial information of each charter school.

**NOTE 2 SCHEDULE OF INSTRUCTIONAL MINUTES - CALIFORNIA**

This schedule presents information on the amount of instructional time offered by Rocketship Schools and whether the schools complied with the provisions of California Education Code.

**NOTE 3 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) - CALIFORNIA**

Average daily attendance is a measurement of the number of pupils attending classes of Rocketship Schools in California. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

**NOTE 4 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS**

This schedule provides the information necessary to reconcile the fund balances (net assets) of each California charter school as reported on the Annual Financial Report form to the audited financial statements.

**NOTE 5 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of RSEA under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the 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 operations of RSEA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of RSEA.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

**NOTE 5 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

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

**NOTE 6 INDIRECT COST RATE**

RSEA did not use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.



**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***

Board of Directors  
Rocketship Education and its Affiliates  
Redwood City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Rocketship Education and its Affiliates (RSEA), which comprise the consolidated statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of financial statements, we considered RSEA's internal control over financial reporting (internal control) to determine the 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 RSEA's internal control. Accordingly, we do not express an opinion on the effectiveness of RSEA's internal control.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether RSEA’s financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Glendora, California  
December 11, 2019



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Rocketship Education and its Affiliates  
Redwood City, California

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

We have audited the compliance of Rocketship Education and its Affiliates (RSEA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. RSEA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of RSEA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RSEA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of RSEA's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, RSEA complied, in all material respects, with the types of 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, 2019.



### **Report on Internal Control Over Compliance**

Management of RSEA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RSEA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RSEA's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



**CliftonLarsonAllen LLP**

Glendora, California  
December 11, 2019



## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE - CALIFORNIA

Board of Directors  
Rocketship Education and its Affiliates  
Redwood City, California

We have audited Rocketship Education and its Affiliates’ (RSEA) compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2019. RSEA’s State compliance requirements are identified in the table below.

### Management’s Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

### Auditors’ Responsibility

Our responsibility is to express an opinion on RSEA’s compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the RSEA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of RSEA’s compliance.

### Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine RSEA’s compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
Before/After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	No <sup>1</sup>
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

<sup>1</sup> We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

**Opinion on State Compliance**

In our opinion, RSEA complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2019.

**Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Glendora, California  
December 11, 2019

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Section I – Summary of Auditors’ Results**

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes        X   no

***Identification of Major Federal Programs***

**CFDA Number(s)**

84.282M  
10.553, 10.555

**Name of Federal Program or Cluster**

Charter School Program  
Child Nutrition Cluster

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

\$   \$750,000  

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        X   no

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

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**Section II – Financial Statement Findings**

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

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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**Section IV – Findings and Questioned Costs – State Compliance**

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Our audit did not disclose any matters required to be reported under *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2019**

The findings from the prior audit’s schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**Finding 2018-001 – Internal Control Relating to Closing Process 30000**

**Condition:** Throughout the audit process, revisions to the trial balance were made by management to correct balances and transactions after the audit process began. The number of journal entries required indicates that internal control processes were not operating effectively throughout the fiscal year and that the closing process was not completed in a timely manner.

**Status:** Implemented

**FINDINGS—STATE COMPLIANCE**

**2018-002 – Teaching Credential 10000**

Rocketship Redwood City Prep	#1736
Rocketship Spark Academy	#1526
Rocketship Alma Academy	#1394

**Condition:** It was noted during testing that four teachers did not have valid credentials for the full period under review that resulting in an instructional minute deficiency.

**Status:** Implemented

**2018-003 – Teaching Credential – Wisconsin Charter Schools 10000**

**Condition:** RSED employed a special education individual who taught outside the license grade range issued by the department. The individual is licensed to teach students in K5 – 5th grade; however, the individual supported a K4 student.

**Status:** Implemented

**2018-004 – Instructional Minutes 40000**

Rocketship Redwood City Prep	#1736
Rocketship Spark Academy	#1526
Rocketship Alma Academy	#1394

**Condition:** Due to finding 2018-002, some instructional minutes were disallowed that led to the three sites listed at the beginning of this section offering insufficient instructional time.

**Status:** Implemented.

