

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**Consolidated Audited Financial Statements
for the Year Ended
June 30, 2015**

Operating:

California

**Rocketship Mateo Sheedy Elementary
Rocketship Si Se Puede Academy
Rocketship Los Suenos Academy
Rocketship Mosaic Elementary
Rocketship Discovery Prep
Rocketship Brilliant Minds
Rocketship Alma Academy
Rocketship Spark Academy
Rocketship Fuerza Community Prep**

Tennessee

Rocketship Nashville Northeast Elementary

Wisconsin

Rocketship Southside Community Prep

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rocketship Education and its Affiliates (RSEA), a non-profit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement.

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

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

Board of Directors
Rocketship Education and its Affiliates

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, 2015, 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

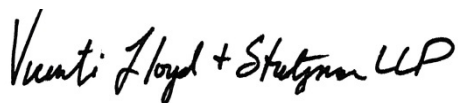
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited RSEA's 2014 financial statements, and our report dated November 12, 2014, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2015 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 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 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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
October 26, 2015

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2015

with comparative totals for June 30, 2014

	Rocketship Education D.C				Eliminations	2015 Total	2014 Total
	Rocketship	Rocketship	Public	Launchpad			
	Education	Education	Charter	Development			
Education	Wisconsin Inc.	School, Inc.	Company				
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents (notes 1,2)	\$ 10,402,100	\$ 669,192	\$ -	\$ 5,001,339	\$ -	\$ 16,072,631	\$ 33,058,905
Restricted cash (note 1)	-	-	-	5,136,357	-	5,136,357	5,149,879
Investments	249,350	-	-	-	-	249,350	-
Accounts receivable (note 3)	6,858,242	80,121	-	23,164	(1,122,646)	5,838,881	9,513,318
Deferred rent asset	-	-	-	70,814	(70,814)	-	-
Grants receivable (note 4)	338,050	-	250,000	-	-	588,050	873,694
Prepaid expenses and deposits	784,821	17,518	-	463,346	-	1,265,685	1,736,015
Total current assets	<u>18,632,563</u>	<u>766,831</u>	<u>250,000</u>	<u>10,695,020</u>	<u>(1,193,460)</u>	<u>29,150,954</u>	<u>50,331,811</u>
LONG-TERM ASSETS:							
Grants receivable (note 4)	163,714	-	-	-	-	163,714	420,022
Intracompany receivable	1,500,000	-	-	-	(1,500,000)	-	-
Security deposits	400,000	-	-	-	(400,000)	-	-
Note receivable	-	-	-	560,000	-	560,000	560,000
Deferred rent asset	-	-	-	2,843,921	(2,843,921)	-	-
Property, plant and equipment, net (note 5)	3,590,083	-	-	60,054,568	-	63,644,651	58,986,771
Total long-term assets	<u>5,653,797</u>	<u>-</u>	<u>-</u>	<u>63,458,489</u>	<u>(4,743,921)</u>	<u>64,368,365</u>	<u>59,966,793</u>
Total assets	<u>\$ 24,286,360</u>	<u>\$ 766,831</u>	<u>\$ 250,000</u>	<u>\$ 74,153,509</u>	<u>\$ (5,937,381)</u>	<u>\$ 93,519,319</u>	<u>\$ 110,298,604</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable and accrued liabilities	\$ 4,117,047	\$ 582,417	\$ 750,000	\$ 644,809	\$ (1,122,646)	\$ 4,971,627	\$ 6,778,855
Accrued interest	-	-	-	417,127	-	417,127	448,391
Deferred rent liability	70,814	-	-	-	(70,814)	-	-
Deferred revenues	370,372	-	-	-	-	370,372	622,884
Current portion of loans payable (note 6)	402,795	-	-	6,439,457	-	6,842,252	17,996,666
Total current liabilities	<u>4,961,028</u>	<u>582,417</u>	<u>750,000</u>	<u>7,501,393</u>	<u>(1,193,460)</u>	<u>12,601,378</u>	<u>25,846,796</u>
LONG-TERM LIABILITIES:							
Security deposits	-	-	-	400,000	(400,000)	-	-
Accrued interest	108,256	-	-	-	-	108,256	77,459
Deferred rent liability	3,298,182	78,486	-	652,345	(2,843,921)	1,185,092	631,405
Intracompany payable	-	1,500,000	-	-	(1,500,000)	-	-
Convertible loans (note 6)	-	-	-	-	-	-	550,000
Loans payable (note 6)	1,950,012	-	-	67,111,834	-	69,061,846	69,836,416
Total long-term liabilities	<u>5,356,450</u>	<u>1,578,486</u>	<u>-</u>	<u>68,164,179</u>	<u>(4,743,921)</u>	<u>70,355,194</u>	<u>71,095,280</u>
NET ASSETS:							
Unrestricted	13,480,415	(1,394,072)	(500,000)	(1,512,063)	-	10,074,280	12,089,432
Temporarily restricted (note 7)	488,467	-	-	-	-	488,467	1,267,096
Total net assets	<u>13,968,882</u>	<u>(1,394,072)</u>	<u>(500,000)</u>	<u>(1,512,063)</u>	<u>-</u>	<u>10,562,747</u>	<u>13,356,528</u>
Total liabilities and net assets	<u>\$ 24,286,360</u>	<u>\$ 766,831</u>	<u>\$ 250,000</u>	<u>\$ 74,153,509</u>	<u>\$ (5,937,381)</u>	<u>\$ 93,519,319</u>	<u>\$ 110,298,604</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015
with comparative totals for the Year Ended June 30, 2014**

	Rocketship Education Wisconsin Inc.	Rocketship Education D.C Public Charter School, Inc.	Rocketship Launchpad Development Company	Eliminations	2015 Total	2014 Total
UNRESTRICTED NET ASSETS:						
Revenues						
LCFF State Aid	\$ 29,395,472	\$ -	\$ -	\$ -	\$ 29,395,472	\$ 23,505,887
Apportionment revenue	4,035,160	3,003,900	-	-	7,039,060	2,005,025
Property taxes	7,536,074	-	-	-	7,536,074	6,328,495
Other State revenue	9,102,843	97,373	-	-	9,200,216	8,107,055
Federal revenue	7,490,904	645,999	-	-	8,136,903	6,257,194
Other local revenue	1,605,142	7,399	-	8,921,054	(10,035,542)	498,053
Contributions	4,995,435	6,227	250,000	25,000	(25,000)	5,251,662
Amounts released from restriction	851,995	-	-	-	-	851,995
Total unrestricted revenues	<u>65,013,025</u>	<u>3,760,898</u>	<u>250,000</u>	<u>8,946,054</u>	<u>(10,060,542)</u>	<u>67,909,435</u>
Program Expenses						
Educational programs	51,103,643	3,916,780	-	-	(8,800,861)	46,219,562
Supporting Services						
Site supports and program development	8,483,838	-	750,000	8,471,595	(750,000)	16,955,433
Administration and general	4,824,593	509,925	-	109,037	(509,681)	4,933,874
Total supporting services	<u>13,308,431</u>	<u>509,925</u>	<u>750,000</u>	<u>8,580,632</u>	<u>(1,259,681)</u>	<u>21,889,307</u>
Total expenses	<u>64,412,074</u>	<u>4,426,705</u>	<u>750,000</u>	<u>8,580,632</u>	<u>(10,060,542)</u>	<u>68,108,869</u>
Increase (decrease) in unrestricted net assets	<u>600,951</u>	<u>(665,807)</u>	<u>(500,000)</u>	<u>365,422</u>	<u>-</u>	<u>(199,434)</u>
TEMPORARILY RESTRICTED NET ASSETS:						
Amounts released from restriction	(851,995)	-	-	-	-	(851,995)
Contributions	73,366	-	-	-	-	73,366
Decrease in temporarily restricted net assets	<u>(778,629)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(778,629)</u>
Beginning net assets	14,146,560	(728,265)	-	(61,767)	-	13,356,528
Adjustment for restatement (note 11)	-	-	-	(1,815,718)	-	(1,815,718)
Beginning net assets, restated	<u>14,146,560</u>	<u>(728,265)</u>	<u>-</u>	<u>(1,877,485)</u>	<u>-</u>	<u>11,540,810</u>
Ending net assets	<u>\$ 13,968,882</u>	<u>\$ (1,394,072)</u>	<u>\$ (500,000)</u>	<u>\$ (1,512,063)</u>	<u>\$ -</u>	<u>\$ 10,562,747</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015
with comparative totals for the Year Ended June 30, 2014**

	Rocketship Education Wisconsin Inc.	Rocketship Education D.C Public Charter School, Inc.	Rocketship Launchpad Development Company	Eliminations	2015 Total	2014 Total	
CASH FLOWS from OPERATING ACTIVITIES:							
Change in Net Assets	\$ (177,678)	\$ (665,807)	\$ (500,000)	\$ 365,422	\$ -	\$ (978,063)	\$ (2,524,682)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:							
Depreciation and amortization	211,566	-	-	1,868,968	-	2,080,534	1,453,818
Allowance for non-recoverable project costs				6,365	-	6,365	670,656
Debt forgiven through grant agreement	(550,000)	-	-	-	-	(550,000)	(566,782)
Donated investments	(249,350)	-	-	-	-	(249,350)	-
(Increase) or decrease in operating assets:							
Accounts receivable	5,886,187	162,065	-	307,754	721,420	7,077,426	1,467,891
Grants receivable	791,952	-	(250,000)	-	-	541,952	2,735
Prepaid expenses and other current assets	1,019,650	46,671	-	(145,988)	(450,000)	470,333	(88,087)
Deferred rent asset	-	-	-	(1,143,447)	1,143,447	-	-
Increase or (decrease) in operating liabilities:							
Accounts payable and accrued liabilities	460,301	270,192	750,000	(61,200)	(721,420)	697,873	(384,880)
Deferred revenues	(252,513)	-	-	-	-	(252,513)	(1,012,883)
Deferred rent liability	1,508,200	6,071	-	145,015	(1,143,447)	515,839	492,459
Net cash provided (used) by operating activities	<u>8,648,315</u>	<u>(180,808)</u>	<u>-</u>	<u>1,342,889</u>	<u>(450,000)</u>	<u>9,360,396</u>	<u>(489,755)</u>
CASH FLOWS from INVESTING ACTIVITIES:							
Proceeds from sale of property, plant and equipment	-	-	-	-	-	-	770,000
Purchases of property, plant and equipment	(1,504,656)	-	-	(9,521,320)	-	(11,025,976)	(13,206,306)
Net cash used by investing activities	<u>(1,504,656)</u>	<u>-</u>	<u>-</u>	<u>(9,521,320)</u>	<u>-</u>	<u>(11,025,976)</u>	<u>(12,436,306)</u>
CASH FLOWS from FINANCING ACTIVITIES:							
Change in restricted cash	-	-	-	13,522	-	13,522	(135,150)
Intracompany loans	(850,000)	850,000	-	-	-	-	-
Receipt (return) of long-term security deposits	-	-	-	(450,000)	450,000	-	-
Change in lines of credit	-	-	-	-	-	-	-
Proceeds from debt	400,000	-	-	-	-	400,000	47,916,624
Repayment of debt	(11,957,488)	-	-	(3,776,728)	-	(15,734,216)	(16,114,463)
Net cash provided (used) by financing activities	<u>(12,407,488)</u>	<u>850,000</u>	<u>-</u>	<u>(4,213,206)</u>	<u>450,000</u>	<u>(15,320,694)</u>	<u>31,667,011</u>
Net increase (decrease) in cash and cash equivalents	(5,263,829)	669,192	-	(12,391,637)	-	(16,986,274)	18,740,950
Cash and cash equivalents at the beginning of the year	15,665,929	-	-	17,392,976	-	33,058,905	14,317,955
Cash and cash equivalents at the end of the year	<u>\$ 10,402,100</u>	<u>\$ 669,192</u>	<u>\$ -</u>	<u>\$ 5,001,339</u>	<u>\$ -</u>	<u>\$ 16,072,631</u>	<u>\$ 33,058,905</u>
CASH PAID FOR INTEREST (Net)	<u>\$ 72,415</u>	<u>\$ 19,793</u>	<u>\$ -</u>	<u>\$ 4,903,254</u>	<u>\$ (19,793)</u>	<u>\$ 4,975,669</u>	<u>\$ 3,715,640</u>
CAPITALIZED INTEREST	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,319</u>	<u>\$ -</u>	<u>\$ 130,319</u>	<u>\$ 162,839</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

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 (opening in 15/16)

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Rocketship Education (RSED) (continued)

- *Rocketship Nashville Northeast Elementary (RNNE)* – Tennessee charter school
- *Rocketship United Academy (RUA)* – Tennessee charter school (opening in 15/16)

***Rocketship Education Wisconsin Inc.
& Rocketship Southside Community Prep (RSCP)***

RSED incorporated Rocketship Education Wisconsin Inc., as a nonprofit public benefit corporation in October 2012 to hold the charter for its first elementary school in Wisconsin, Rocketship Southside Community Prep (RSCP). The City of Milwaukee Common Council approved a separate charter for RSCP in November 2011.

Rocketship Education D.C., Public Charter School, Inc. (RSDC)

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, D.C. 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.

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 and 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 Six LLC (LLC6)* – Closed
- *Launchpad Development Eight LLC (LLC8)* – RSA facilities
- *Launchpad Development Nine LLC (LLC9)* – Closed
- *Launchpad Development Ten LLC (LLC10)* – Facilities development

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Launchpad Development Company (continued)

- *Launchpad Development Eleven LLC (LLC11)* – RBM facilities
- *Launchpad Development Twelve LLC (LLC12)* – RFZ facilities
- *Launchpad Development Thirteen LLC (LLC13)* – Closed
- *Launchpad Development Fourteen LLC (LLC14)* – Facilities development
- *Launchpad Development Fifteen LLC (LLC15)* – Facilities development
- *Launchpad Development Sixteen LLC (LLC16)* – Facilities development
- *Launchpad Development Seventeen LLC (LLC17)* – Facilities development
- *Launchpad Development Milwaukee One LLC (MLLC1)* – RSCP facilities

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

Net Asset Classes – RSEA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets of RSEA consist of the following:

- **Unrestricted:** All resources over which the governing board has discretionary control to use in carrying on the general operations of the organization.
- **Temporarily restricted:** These net assets are restricted by donors to be used for specific purposes.
- **Permanently restricted:** These net assets are permanently restricted by donors and cannot be used by RSEA. RSEA does not currently have any permanently restricted net assets.

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.

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

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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.

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.

Functional Allocation of Expenses – The cost of providing the various programs and other activities have 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.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for specific use in future periods are reported as temporarily restricted. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets for expenditure.

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market 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 three to thirty-five years. RSEA capitalizes all expenditures for land, buildings and equipment in excess of \$5,000.

Income Taxes – RSEA is comprised of various non-profit entities 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 related to these entities. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. RSEA files all appropriate tax returns in the U.S. federal jurisdiction, and the state of California.

RSEA files informational returns in the U.S. federal jurisdiction, and the states in which it operates, as applicable. The statute of limitations for federal and state purposes is generally three and four years, respectively.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Evaluation of Subsequent Events – RSEA has evaluated subsequent events through October 26, 2015, the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

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, 2014, from which the summarized information was derived. Certain reclassifications have been made to the 2014 financial information to conform to the 2015 presentation.

NOTE 2 - CONCENTRATION OF CREDIT 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 3 - ACCOUNTS RECEIVABLE:

Accounts receivable primarily consist of funds due from various governmental units. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded. As of June 30, 2015, all amounts are considered collectible within one year.

NOTE 4 - GRANTS RECEIVABLE:

Grants receivable consist of funds due from grantor agencies based upon RSN meeting various conditions or milestones. As of June 30, 2015 grant amounts connected with met milestones have been recorded as grants receivable and have been classified as temporarily restricted contributions due to implied time restriction. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT:

Property and equipment consisted of the following:

	<u>RSED</u>	<u>LDC</u>	<u>RSEA Total</u>
Land	\$ -	\$ 8,272,407	\$ 8,272,407
Furniture and equipment	211,842	409,869	621,711
Building	3,336,826	54,062,713	57,399,539
Other	613,076	3,914,895	4,527,971
Less: Accumulated depreciation	<u>(571,661)</u>	<u>(6,605,316)</u>	<u>(7,176,977)</u>
Total	<u>\$ 3,590,083</u>	<u>\$60,054,568</u>	<u>\$ 63,644,651</u>

Depreciation and amortization expense was \$2,080,534 for the year ended June 30, 2015.

NOTE 6 - 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 percent. 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 percent 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.

In the event that these annual benchmarks are not met, the balance of the unconverted \$2.35 million loan is to be repaid with all accrued and unpaid interest on June 30, 2018.

As of June 30, 2014, RSN had substantively met the school year benchmarks and converted \$2.3 million of principal into a grant.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 6 - DEBT: (continued)

RSN – Charter School Growth Fund (continued)

During the 2014/15 school year, the final \$50,000 of the note payable was forgiven and converted into a grant.

The remaining non-convertible \$1.05 million of the loan plus accrued interest will be due on June 30, 2017 (\$300,000), June 30, 2019 (\$250,000) and June 30, 2020 (\$500,000).

In December 2012, RSN and CSGF entered into a \$125,000 School Startup Subordinated Loan Agreement at an effective interest rate of 1.0 percent. The loan is scheduled to be repaid in full on June 30, 2019.

In January 2014, RSN and CSGF entered into a \$500,000 Subordinated Loan Agreement at an effective interest rate of 1.0 percent. During the 2014/15 school year the loan and associated interest was forgiven and converted into a grant.

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 percent. The loans are scheduled to be repaid in full on June 30, 2020 (RFZ and RNNE) and June 30, 2021 (RRWC and RUA).

Loans Payable

RSN – CSGF Revolving Facilities Loan

In June 2014, RSN entered into a \$7 million loan agreement with CSGF to provide interim financing for the RFZ-LLC12 project. The loan has an interest rate of 3.75%. The loan was repaid in full in July 2014.

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

As of June 30, 2015, seven of Rocketship's California schools have revolving loans payable to the California School Finance Authority (CSFA) ranging from \$20,000 to \$187,504, totaling \$757,512 combined. The loans have effective interest rates ranging from 0.22% to 1.47%. Principal is payable in four or five years, with installments ranging from \$20,000 to \$62,500 deducted from apportionment revenue. Final maturity is 2018.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 6 - DEBT: (continued)

Rocketship's Schools - CSFA Revenue Anticipation Notes

RAN, Series 2014 - Rocketship's California schools, excluding RMS, entered into a loan agreement with CSFA to issue revenue anticipation notes in the lessor of \$4,575,000 or 90% of deferred apportionment payments from the State of California. Notes totaling \$643,000, \$1,528,000 and \$2,404,000 were issued in April 2014, May 2014 and June 2014, respectively. Interest is charged at a LIBOR based rate plus 450 basis points with a floor of 4.75%. The notes are repayable in installments in July and August 2014 along with accrued interest. Funds pledged for repayment are intercepted upon release and held in a designated trust account. The notes and accrued interest are classified as current liabilities at June 30, 2014. Following payment, the notes terminated in October 2014.

LLC1 - CDFI Facilities Construction Loan

LLC1 has two facilities construction loans payable with a Community Development Financial Institution (CDFI) entered into during the 2007-2008 fiscal year. As of June 30, 2015, \$5,539,592 remains outstanding with the CDFI, principal balances of \$5,000,000 on the primary loan and \$539,592 on the subordinate loan with effective interest rates of 5.0 percent and 5.25 percent, respectively. Both loans were repaid in full with proceeds of bonds issued during August 2015 (Series 2015 Bonds).

LLC3 - Self Help New Markets V LLC Loan

In 2010, LLC3 entered into a facilities loan agreement with Self Help New Markets V LLC (SHNM) totaling \$6.48 million with an effective interest rate of 6.41 percent

Payments are based upon an amortization schedule of 25 years, beginning in 2010 with a final payment of all unpaid principal and interest thereon due on April 19, 2017. As of June 30, 2015, \$5,909,452 remains outstanding. The loan is subject to reporting requirements and financial covenants customary for this type of credit transaction.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 6 - DEBT: (continued)

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.

LLC5 - Low Income Investment Fund Sub-CDE VIII LLC Loan

In March 2011, LLC5 borrowed debt capital for the RDP project from LIIF Sub-CDE VIII, LLC (the LIIF LLC), a Delaware limited liability company formed by the Low Income Investment Fund (LIIF), a CDFI under the leverage loan model of the New Markets Tax Credits program under Section 45D of the Internal Revenue Code of 1986. US Bank CDC purchased the tax credits from the LIIF LLC, the proceeds of which were used in part to fund a “qualified equity investment”.

LIIF and other participating institutions provided the leverage debt capital. The LIIF LLC made three (3) loans to LLC5, the Borrower, in the aggregate original principal amount of \$9,975,000 (the “*QLICI Loan*”), which *QLICI Loan* is expected to constitute a “qualified low-income community investment” (“*QLICF*”) being made to a “qualified active low-income community business” (“*QALICB*”) under the NMTC Program, and which includes subordinated debt provided by Launchpad of \$560,000. The debt is required to have a term of not less than seven (7) years and was made on an interest-only payment basis. As required by the Lender, RSN provided a partial Lease Guaranty to the Borrower in support of the financing. This loan is subject to reporting requirements and covenants customary to this type of credit transaction.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 6 - DEBT: (continued)

LLC6 - LISC Recoverable Grant

In August 2011, Launchpad Development Company received a recoverable grant from Local Initiatives Support Corporation (LISC) in a draw-to amount of up to \$500,000 available between September 1, 2011 and September 1, 2013. The recoverable grant was provided to fund predevelopment costs for new facilities in San Jose. Launchpad drew on the grant in the amounts of \$105,540 for LLC6.

As of June 30, 2015, the balance drawn by LLC6 is classified as a current liability.

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 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.

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%.

The Series 2014 Bonds are divided into \$31.935 million Series 2014A Bonds and \$920,000 million 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).

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 6 - DEBT: (continued)

Futures maturities of debt in summary:

<u>June 30,</u>	<u>RSED</u>	<u>LDC</u>	<u>Total</u>
2016	\$ 402,795	\$ 6,439,457	\$ 6,842,252
2017	250,004	6,465,127	6,715,131
2018	175,008	7,952,669	8,127,677
2019	125,000	3,572,332	3,697,332
2020	200,000	855,000	1,055,000
Thereafter	1,200,000	48,269,999	49,469,999
Discount	-	(3,293)	(3,293)
Total	<u>\$ 2,352,807</u>	<u>\$ 73,551,291</u>	<u>\$75,904,098</u>

NOTE 7 - NET ASSET RESTRICTIONS:

Temporarily restricted net assets of \$488,467 relate to grants that are specifically restricted to future operations.

NOTE 8 - OPERATING LEASES:

RSN administrative offices - In October 2012, RSN entered into a 5 year lease for office facilities payable at \$10,612 monthly. The lease includes a waiver of rent (\$10,611) contingent upon RSN's status as a nonprofit public benefit corporation. During the year ended June 30, 2015, temporarily restricted net assets released from restriction from in-kind rent was \$125,302 (net of prior year discount) and lease expense totaled \$127,332. At June 30, 2015, the fair value of future in-kind rent included in the lease through October 2017 has been recorded as \$289,004 grants receivable and temporarily restricted contribution revenue.

RSN leases administrative offices in San Jose, CA, Concord, CA, Milwaukee, WI, Nashville, TN and Washington, DC under various operating leases. Lease expense for all regional administrative offices totaled \$163,142 for the year ended June 30, 2015.

LLC1-RMS site land lease - 20 year land lease, \$11,466 payable monthly. Lease expense recognized for the year ended June 30, 2015 was \$137,592.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 8 - OPERATING LEASES: (continued)

LLC11-RBM site land lease – 30 year land lease, \$7,917 payable monthly (\$95,004 annually), subject to adjustment in 2023. Lease expense recognized for the year ended June 30, 2015 was \$95,000.

RSK facility lease - 29 year facility lease, \$62,896, plus additional rent items, payable monthly during the year ended June 30, 2015. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. For the year ended June 30, 2015, total lease expense of \$968,047 has been accrued and lease payments totaled \$775,312.

LLC12-RFZ site land lease - 35 year land lease, \$20,000 payable monthly during the year ended June 30, 2015. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. For the year ended June 30, 2015, total lease expense of \$378,944 has been accrued and lease payments totaled \$240,000.

RFZ site land lease -34 year land lease for addition to RFZ site, payable between \$2,800 and \$2,842 monthly during the year ended June 30, 2015. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. For the year ended June 30, 2015, total lease expense of \$43,426 has been accrued and lease payments totaled \$33,684.

MLLC1-RSCP facility lease – 10 year facility lease, \$45,833, plus additional rent items, payable monthly during the year ended June 30, 2015. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. For the year ended June 30, 2015, total lease expense of \$616,392 has been accrued and lease payments totaled \$610,321.

RNNE facility lease – 29 year facility lease, \$50,999, plus additional rent items, payable monthly during the year ended June 30, 2015. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. For the year ended June 30, 2015, total lease expense of \$821,857 has been accrued and lease payments totaled \$653,510.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 8 - OPERATING LEASES: (continued)

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

<u>June 30,</u>	<u>RSN</u>	<u>RSK</u>	<u>RFZ</u>	<u>RNNE</u>
2016	\$ 122,370	\$ 754,752	\$ 34,189	\$ 616,382
2017	126,051	754,752	34,702	616,382
2018	42,529	754,752	35,223	616,382
2019	-	771,736	35,751	616,382
2020	-	790,933	36,287	630,954
Thereafter	-	22,108,566	1,260,716	19,160,444
Total	<u>\$ 290,950</u>	<u>\$ 25,935,491</u>	<u>\$ 1,436,868</u>	<u>\$22,256,926</u>

<u>June 30,</u>	<u>LLC1</u>	<u>LLC11</u>	<u>LLC12</u>	<u>MLLC1</u>	<u>Total</u>
2016	\$ 137,592	\$ 95,004	\$ 260,000	\$ 522,314	\$ 2,542,603
2017	138,738	95,004	284,000	534,629	2,584,258
2018	144,468	95,004	302,400	546,658	2,537,416
2019	144,468	95,004	316,800	558,958	2,539,099
2020	144,468	95,004	316,800	571,534	2,585,980
Thereafter	1,243,314	2,185,092	11,429,526	1,792,925	59,180,583
Total	<u>\$ 1,953,048</u>	<u>\$ 2,660,112</u>	<u>\$ 12,909,526</u>	<u>\$ 4,527,018</u>	<u>\$ 71,969,939</u>

**ROCKETSHIP EDUCATION
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 9 - EMPLOYEE RETIREMENT:

Certificated Employees

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.

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. Plan information for STRS is not publicly available. 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, 2014, total plan net assets are \$191 billion, the total actuarial present value of accumulated plan benefits is \$287 billion, contributions from all employers totaled \$2.3 billion, and the plan is 68.5% funded. RSEA 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, CA 95826 and www.calstrs.com.

Active plan members are required to contribute 8.15% of their salary and RSEA 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. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 9 - EMPLOYEE RETIREMENT: (continued)

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

<u>Year Ended</u> <u>June 30,</u>	STRS	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2013	\$647,408	100%
2014	\$855,364	100%
2015	\$1,014,836	100%

NOTE 10 - RELATED PARTY TRANSACTIONS:

Facility Leases

In 2013, RMS amended and restated its existing lease with LLC1 into a 8-year facility lease through 2021. For the school year 2014/15, lease payments under this agreement totaled \$1,055,301.

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 accrued on a straight line basis over the life of the lease. Total lease expense of \$1,032,223 has been accrued. For school year 2014/15, lease payments under this agreement totaled \$891,336.

In 2010, RLS entered into a 10-year lease with LLC3 through 2020. The lease agreement was amended July 2012. For the school year 2014/15, lease payments under this agreement totaled \$1,072,142.

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 accrued on a straight line basis over the life of the lease. Total lease expense of \$941,043 has been accrued. For school year 2014/15, lease payments under this agreement totaled \$944,865.

In 2011, RDP entered into a 20 year lease with LLC5 through 2031. The lease agreement was amended July 2012. For the school year 2014/15, lease payments under this agreement totaled \$854,663. Related to the lease, LDC has placed \$325,000 into a fully pledged reserve account for the benefit of the lender.

In 2014, RBM entered into a 29-year facility lease agreement with LLC11 through 2043. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. Total lease expense of \$1,103,935 has been accrued. For school year 2014/15, lease payments under this agreement totaled \$567,158.

**ROCKETSHIP EDUCATION
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 10 - RELATED PARTY TRANSACTIONS: (continued)

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 accrued on a straight line basis over the life of the lease. Total lease expense of \$715,590 has been accrued. For school year 2014/15, lease payments under this agreement totaled \$741,826.

In 2014, RFZ entered into a 29-year facility lease agreement with LLC12 through 2043. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. Total lease expense of \$1,408,961 has been accrued. For school year 2014/15, lease payments under this agreement totaled \$731,066.

In 2013, RSCP entered into a 10-year facility lease agreement with MLLC1 through 2023. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. Total lease expense of \$610,321 has been accrued. For school year 2014/15, lease payments under this agreement totaled \$604,251.

Future estimated payments under these leases as of June 30, 2015 are as follows:

<u>June 30,</u>	<u>RMS</u>	<u>RSSP</u>	<u>RLS</u>	<u>ROMO</u>	<u>RDP</u>
2016	\$ 1,198,291	\$ 1,048,059	\$ 1,272,276	\$ 943,563	\$ 1,082,698
2017	1,198,291	1,040,621	1,272,276	942,474	1,082,698
2018	1,198,291	1,033,731	1,272,276	945,693	1,082,698
2019	1,198,291	1,038,839	1,272,276	947,108	1,082,698
2020	1,198,291	1,037,829	1,272,276	945,541	1,082,698
Thereafter	1,198,291	24,002,843	-	20,514,447	1,082,698
Total	<u>\$ 7,189,746</u>	<u>\$ 29,201,922</u>	<u>\$ 6,361,380</u>	<u>\$25,238,826</u>	<u>\$ 6,496,188</u>

<u>June 30,</u>	<u>RSA</u>	<u>RBM</u>	<u>RFZ</u>	<u>RSCP</u>	<u>Total</u>
2016	\$ 729,529	\$ 1,134,699	\$ 1,323,594	\$ 522,314	\$ 9,255,023
2017	730,624	1,138,288	1,347,867	534,629	9,287,768
2018	724,520	1,130,841	1,366,250	546,658	9,300,958
2019	724,657	1,124,587	1,375,718	558,958	9,323,132
2020	724,946	1,129,129	1,375,032	571,534	9,337,276
Thereafter	5,320,981	26,211,744	33,893,668	1,792,925	114,017,597
Total	<u>\$ 8,955,257</u>	<u>\$ 31,869,288</u>	<u>\$ 40,682,129</u>	<u>\$ 4,527,018</u>	<u>\$ 160,521,754</u>

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 10 - RELATED PARTY TRANSACTIONS: (continued)

Launchpad – Working Capital Line of Credit from RSN

In 2010, Launchpad entered into a revolving line of credit agreement (LP LOC) with RSN in the amount of \$682,000 to support working capital needs associated with the startup phase of each school development project. The applicable annual interest rate is 4.0 percent on outstanding balances under this facility. As of June 30, 2015 and 2014, there is no outstanding balance under this agreement. During 2014/15, no amounts were borrowed and no interest was charged by RSN.

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 percent 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.

Rocketship Mateo Sheedy Elementary grant to Rocketship Discovery Prep

During 2014/15, RMS provided RDP with a grant of \$500,000.

Rocketship Education fees charged to Rocketship Education D.C.

RSN charged RSDC \$750,000 for start-up services provided in support of the region through June 30, 2015.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 10 - RELATED PARTY TRANSACTIONS: (continued)

Development Fees

In connection with construction development projects, Launchpad has contracted to receive development fees which are accrued based on project-specific milestones.

For the year ended June 30, 2015 the following development fees were collected:

	<u>Development Fees</u>
LLC11	\$ 531,476
LLC12	<u>749,767</u>
Total	<u><u>\$ 1,281,243</u></u>

Management Services

RMS, RSSP, RLS, ROMO, RDP, RBM, RSA, RSK, RFZ, RNNE and RSCP all receive management and support services from RSN for which they pay management fees.

For the year ended June 30, 2015, management fees were as follows:

	<u>Management Fees</u>
RMS	\$ 791,476
RSSP	779,803
RLS	804,106
ROMO	772,501
RDP	640,997
RBM	661,178
RSA	781,218
RSK	749,872
RFZ	638,508
RNNE	636,546
RSCP	<u>480,782</u>
Total	<u><u>\$ 7,736,987</u></u>

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 10 - RELATED PARTY TRANSACTIONS: (continued)

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, 2015, the amount of Donated Services from RSN to Launchpad was \$25,000.

NOTE 11 – ADJUSTMENT FOR RESTATEMENT:

During development of various projects, Launchpad charged a development fee to the corresponding LLC entities. LDC recorded the fee as current income, and each LLC recorded the fee as current expense. When capitalizing project costs, each of those LLC entities capitalized the fee into the cost of the fixed asset. The restatement was made to remove the capitalized amount from the fixed asset recorded by each such LLC.

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.

NOTE 13 – SUBSEQUENT EVENT:

Bond Issue (Series 2015A and 2015B)

In July 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 construction projects.

Futures maturities of the bonds are as follows:

<u>June 30,</u>		
2016	\$	335,000
2017		405,000
2018		425,000
2019		445,000
2020		460,000
Thereafter		<u>4,315,000</u>
Total	\$	<u><u>6,385,000</u></u>

SUPPLEMENTARY INFORMATION

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
For the Year Ended June 30, 2015**

Rocketship Education (RSED) is a California non-profit 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 2020

Rocketship Si Se Puede Academy (RSSP), chartered by the Santa Clara County Office of Education, Charter Number: 1061 – Established 2009, Expires 2017

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 2016

Rocketship Discovery Prep (RDP), chartered by the Santa Clara County Office of Education, Charter Number: 1193 – Established 2010, Expires 2016

Rocketship Brilliant Minds (RBM), chartered by the Santa Clara County Office of Education, Charter Number: 1393 – Established 2012, Expires 2017

Rocketship Alma Academy (RSA), chartered by the Santa Clara County Office of Education, Charter Number: 1394 – Established 2012, Expires 2017

Rocketship Spark Academy (RSK), chartered by the Franklin-McKinley Elementary School District, Charter Number: 1526 – Established 2013, Expires 2018

Rocketship Fuerza Community Prep (RFZ), chartered by the Santa Clara County Office of Education, Charter Number: 1687 – Established 2014, Expires 2019

Rocketship Redwood City Prep (RRWC), chartered by the Redwood City Elementary School District, Charter Number: 1736 – Begins 2015/16

Tennessee Charter Schools:

Rocketship Nashville Northeast Elementary (RNNE)

Rocketship United Academy (RUA) Begins 2015/16

Wisconsin Charter Schools:

Rocketship Southside Community Prep (RSCP)

Washington D.C. Charter Schools:

Rocketship Education D.C, Public Charter School Inc. (RSDC) Begins 2016/17

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (Continued)
For the Year Ended June 30, 2015**

Board of Directors

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Fred Ferrer	President	2016
Alan Crites	Treasurer	2016
Arra Yerganian	Secretary	2016
Alex Hernandez	Member	2016
Alex Terman	Member	2016
Deborah McGriff	Member	2017
Greg Stanger	Member	2016
Louis Jordan	Member	2016
Raymond Raven	Member	2017
Ralph Weber	Member	2017
Joey Slotter	Member	2017

Administration

Preston Smith	Co-Founder, CEO and President
Andrew Stern	Chief Business Officer
Lynn Liao	Chief Programs Officer
Carolyn Davies Lynch	Vice President, Strategy & Scalability
Chey Calvo	Chief Growth and Community Engagement Officer
Adam Nadeau	Vice President, Personalized Learning & Achievement
Jaclyn O'Brien	Vice President, Schools
Dynasti Hunt	Vice President, Human Resources

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SCHOOLS
June 30, 2015

	California							Total Page 1
	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	\$ 3,784,304	\$ 893,298	\$ 1,576,444	\$ 766,154	\$ 1,095,002	\$ 347,934	\$ 659,492	\$ 9,122,628
Investments	249,350	-	-	-	-	-	-	249,350
Accounts receivable	2,269,499	592,842	413,431	545,810	379,804	410,776	491,315	5,103,477
Grants receivable	338,050	-	-	-	-	-	-	338,050
Prepaid expenses and deposits	129,836	31,435	46,467	28,186	50,584	39,110	62,354	387,972
Total current assets	<u>6,771,039</u>	<u>1,517,575</u>	<u>2,036,342</u>	<u>1,340,150</u>	<u>1,525,390</u>	<u>797,820</u>	<u>1,213,161</u>	<u>15,201,477</u>
LONG-TERM ASSETS:								
Grants receivable	163,714	-	-	-	-	-	-	163,714
Intracompany receivable	1,503,191	-	-	-	-	-	-	1,503,191
Security deposits	-	-	-	100,000	100,000	100,000	-	300,000
Property, plant & equipment, net	174,006	774,636	638,688	516,067	440,284	399,878	109,787	3,053,346
Total long-term assets	<u>1,840,911</u>	<u>774,636</u>	<u>638,688</u>	<u>616,067</u>	<u>540,284</u>	<u>499,878</u>	<u>109,787</u>	<u>5,020,251</u>
Total assets	<u>\$ 8,611,950</u>	<u>\$ 2,292,211</u>	<u>\$ 2,675,030</u>	<u>\$ 1,956,217</u>	<u>\$ 2,065,674</u>	<u>\$ 1,297,698</u>	<u>\$ 1,322,948</u>	<u>\$ 20,221,728</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable and accrued liabilities	\$ 989,923	\$ 350,676	\$ 279,604	\$ 288,746	\$ 323,916	\$ 602,882	\$ 416,107	\$ 3,251,854
Accrued interest	-	-	-	-	-	-	-	-
Deferred rent liability	-	-	15,391	-	10,745	-	31,238	57,374
Deferred revenue	-	115,780	118,980	25,000	25,000	25,000	25,217	334,977
Current portion of loans payable	20,295	-	-	20,000	50,000	62,500	62,500	215,295
Total current liabilities	<u>1,010,218</u>	<u>466,456</u>	<u>413,975</u>	<u>333,746</u>	<u>409,661</u>	<u>690,382</u>	<u>535,062</u>	<u>3,859,500</u>
LONG-TERM LIABILITIES:								
Accrued interest	106,454	-	-	-	-	-	-	106,454
Deferred rent liability	-	-	196,990	-	508,415	-	833,338	1,538,743
Intracompany payable	-	-	-	-	-	-	-	-
Convertible loans	-	-	-	-	-	-	-	-
Loans payable	1,175,000	-	-	-	-	-	62,502	1,237,502
Total long-term liabilities	<u>1,281,454</u>	<u>-</u>	<u>196,990</u>	<u>-</u>	<u>508,415</u>	<u>-</u>	<u>895,840</u>	<u>2,882,699</u>
NET ASSETS:								
Unrestricted	5,831,811	1,825,755	2,064,065	1,622,471	1,147,598	607,316	(107,954)	12,991,062
Temporarily restricted	488,467	-	-	-	-	-	-	488,467
Total net assets	<u>6,320,278</u>	<u>1,825,755</u>	<u>2,064,065</u>	<u>1,622,471</u>	<u>1,147,598</u>	<u>607,316</u>	<u>(107,954)</u>	<u>13,479,529</u>
Total liabilities and net assets	<u>\$ 8,611,950</u>	<u>\$ 2,292,211</u>	<u>\$ 2,675,030</u>	<u>\$ 1,956,217</u>	<u>\$ 2,065,674</u>	<u>\$ 1,297,698</u>	<u>\$ 1,322,948</u>	<u>\$ 20,221,728</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SCHOOLS (Continued)
June 30, 2015

	<u>From Page 1</u>	<u>California</u>				<u>Tennessee</u>	<u>Total Page 2</u>
		<u>RSA</u>	<u>RSK</u>	<u>RFZ</u>	<u>RRWC</u>	<u>RNNE</u>	
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 9,122,628	\$ 824,340	\$ 38,413	\$ 62,279	\$ 192,641	\$ -	\$ 10,240,301
Investments	249,350	-	-	-	-	-	249,350
Accounts receivable	5,103,477	873,698	915,078	978,252	1,500	123,741	7,995,746
Grants receivable	338,050	-	-	-	-	-	338,050
Prepaid expenses and deposits	387,972	40,750	40,431	20,676	88,060	40,934	618,823
Total current assets	<u>15,201,477</u>	<u>1,738,788</u>	<u>993,922</u>	<u>1,061,207</u>	<u>282,201</u>	<u>164,675</u>	<u>19,442,270</u>
LONG-TERM ASSETS:							
Grants receivable	163,714	-	-	-	-	-	163,714
Intracompany receivable	1,503,191	-	-	-	-	-	1,503,191
Security deposits	300,000	100,000	-	-	-	-	400,000
Property, plant & equipment, net	3,053,346	372,337	125,436	24,726	-	12,438	3,588,283
Total long-term assets	<u>5,020,251</u>	<u>472,337</u>	<u>125,436</u>	<u>24,726</u>	<u>-</u>	<u>12,438</u>	<u>5,655,188</u>
Total assets	<u>\$ 20,221,728</u>	<u>\$ 2,211,125</u>	<u>\$ 1,119,358</u>	<u>\$ 1,085,933</u>	<u>\$ 282,201</u>	<u>\$ 177,113</u>	<u>\$ 25,097,458</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$ 3,251,854	\$ 508,289	\$ 358,667	\$ 617,668	\$ 95,410	\$ 241,664	\$ 5,073,552
Accrued interest	-	-	-	-	-	-	-
Deferred rent liability	57,374	13,440	-	-	-	-	70,814
Deferred revenue	334,977	25,000	-	-	10,395	-	370,372
Current portion of loans payable	215,295	62,500	62,500	62,500	-	-	402,795
Total current liabilities	<u>3,859,500</u>	<u>609,229</u>	<u>421,167</u>	<u>680,168</u>	<u>105,805</u>	<u>241,664</u>	<u>5,917,533</u>
LONG-TERM LIABILITIES:							
Accrued interest	106,454	-	-	844	57	844	108,199
Deferred rent liability	1,538,743	103,929	353,348	1,133,815	-	168,347	3,298,182
Intracompany payable	-	-	-	-	-	3,191	3,191
Convertible loans	-	-	-	-	-	-	-
Loans payable	1,237,502	62,502	125,004	225,004	100,000	100,000	1,850,012
Total long-term liabilities	<u>2,882,699</u>	<u>166,431</u>	<u>478,352</u>	<u>1,359,663</u>	<u>100,057</u>	<u>272,382</u>	<u>5,259,584</u>
NET ASSETS:							
Unrestricted	12,991,062	1,435,465	219,839	(953,898)	76,339	(336,933)	13,431,874
Temporarily restricted	488,467	-	-	-	-	-	488,467
Total net assets	<u>13,479,529</u>	<u>1,435,465</u>	<u>219,839</u>	<u>(953,898)</u>	<u>76,339</u>	<u>(336,933)</u>	<u>13,920,341</u>
Total liabilities and net assets	<u>\$ 20,221,728</u>	<u>\$ 2,211,125</u>	<u>\$ 1,119,358</u>	<u>\$ 1,085,933</u>	<u>\$ 282,201</u>	<u>\$ 177,113</u>	<u>\$ 25,097,458</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SCHOOLS (Continued)
June 30, 2015

	<u>From Page 2</u>	<u>Tennessee</u> RUA	<u>Eliminations</u>	<u>RSED Total</u>	<u>Wisconsin</u> RSCP	<u>D.C.</u> RSDC	<u>Eliminations</u>	<u>Total</u>
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	\$ 10,240,301	\$ 161,799	\$ -	\$ 10,402,100	\$ 669,192	\$ -	\$ -	\$ 11,071,292
Investments	249,350	-	-	249,350	-	-	-	249,350
Accounts receivable	7,995,746	3,125	(1,140,629)	6,858,242	80,121	-	(1,104,162)	5,834,201
Grants receivable	338,050	-	-	338,050	-	250,000	-	588,050
Prepaid expenses and deposits	618,823	165,998	-	784,821	17,518	-	-	802,339
Total current assets	<u>19,442,270</u>	<u>330,922</u>	<u>(1,140,629)</u>	<u>18,632,563</u>	<u>766,831</u>	<u>250,000</u>	<u>(1,104,162)</u>	<u>18,545,232</u>
LONG-TERM ASSETS:								
Grants receivable	163,714	-	-	163,714	-	-	-	163,714
Intracompany receivable	1,503,191	-	(3,191)	1,500,000	-	-	(1,500,000)	-
Security deposits	400,000	-	-	400,000	-	-	-	400,000
Property, plant & equipment, net	3,588,283	1,800	-	3,590,083	-	-	-	3,590,083
Total long-term assets	<u>5,655,188</u>	<u>1,800</u>	<u>(3,191)</u>	<u>5,653,797</u>	<u>-</u>	<u>-</u>	<u>(1,500,000)</u>	<u>4,153,797</u>
Total assets	<u>\$ 25,097,458</u>	<u>\$ 332,722</u>	<u>\$ (1,143,820)</u>	<u>\$ 24,286,360</u>	<u>\$ 766,831</u>	<u>\$ 250,000</u>	<u>\$ (2,604,162)</u>	<u>\$ 22,699,029</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable	\$ 5,073,552	\$ 184,124	\$ (1,140,629)	\$ 4,117,047	\$ 582,417	\$ 750,000	\$ (1,104,162)	\$ 4,345,302
Accrued interest	-	-	-	-	-	-	-	-
Deferred rent liability	70,814	-	-	70,814	-	-	-	70,814
Deferred revenue	370,372	-	-	370,372	-	-	-	370,372
Current portion of loans payable	402,795	-	-	402,795	-	-	-	402,795
Total current liabilities	<u>5,917,533</u>	<u>184,124</u>	<u>(1,140,629)</u>	<u>4,961,028</u>	<u>582,417</u>	<u>750,000</u>	<u>(1,104,162)</u>	<u>5,189,283</u>
LONG-TERM LIABILITIES:								
Accrued interest	108,199	57	-	108,256	-	-	-	108,256
Deferred rent liability	3,298,182	-	-	3,298,182	78,486	-	-	3,376,668
Intracompany payable	3,191	-	(3,191)	-	1,500,000	-	(1,500,000)	-
Convertible loans	-	-	-	-	-	-	-	-
Loans payable	1,850,012	100,000	-	1,950,012	-	-	-	1,950,012
Total long-term liabilities	<u>5,259,584</u>	<u>100,057</u>	<u>(3,191)</u>	<u>5,356,450</u>	<u>1,578,486</u>	<u>-</u>	<u>(1,500,000)</u>	<u>5,434,936</u>
NET ASSETS:								
Unrestricted	13,431,874	48,541	-	13,480,415	(1,394,072)	(500,000)	-	11,586,343
Temporarily restricted	488,467	-	-	488,467	-	-	-	488,467
Total net assets	<u>13,920,341</u>	<u>48,541</u>	<u>-</u>	<u>13,968,882</u>	<u>(1,394,072)</u>	<u>(500,000)</u>	<u>-</u>	<u>12,074,810</u>
Total liabilities and net assets	<u>\$ 25,097,458</u>	<u>\$ 332,722</u>	<u>\$ (1,143,820)</u>	<u>\$ 24,286,360</u>	<u>\$ 766,831</u>	<u>\$ 250,000</u>	<u>\$ (2,604,162)</u>	<u>\$ 22,699,029</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES - SCHOOLS
For the Year Ended June 30, 2015**

	<u>California</u>						Total Page 1	
	<u>RSN</u>	<u>RMS</u>	<u>RSSP</u>	<u>RLS</u>	<u>ROMO</u>	<u>RDP</u>		<u>RBM</u>
UNRESTRICTED NET ASSETS:								
Revenues								
LCFF State Aid	\$ -	\$ 1,235,842	\$ 3,334,633	\$ 4,368,639	\$ 3,102,523	\$ 3,376,790	\$ 3,664,404	\$ 19,082,831
Apportionment revenue	-	-	-	-	-	-	-	-
Property taxes	-	3,133,703	954,447	69,051	1,156,115	73,890	35,309	5,422,515
Other State revenue	-	1,026,688	1,026,036	1,048,619	1,143,670	1,173,569	873,865	6,292,447
Federal revenue	458,044	694,411	741,579	759,808	707,044	673,155	586,931	4,620,972
Other local revenue	8,537,197	31,615	31,526	39,913	40,252	12,555	25,560	8,718,618
Contributions	3,636,015	133,728	72,238	69,537	80,779	614,422	93,659	4,700,378
Amounts released from restriction	628,614	66,127	-	81,127	-	76,127	-	851,995
Total unrestricted revenues	<u>13,259,870</u>	<u>6,322,114</u>	<u>6,160,459</u>	<u>6,436,694</u>	<u>6,230,383</u>	<u>6,000,508</u>	<u>5,279,728</u>	<u>49,689,756</u>
Program Expenses								
Educational programs	-	5,313,223	5,074,821	5,271,164	5,047,096	5,307,818	4,814,625	30,828,747
Supporting Services								
Site supports and program development	8,483,838	500,000	-	-	-	-	-	8,983,838
Administration and general	4,748,120	796,390	788,455	814,054	781,347	650,875	672,699	9,251,940
Total supporting services	<u>13,231,958</u>	<u>1,296,390</u>	<u>788,455</u>	<u>814,054</u>	<u>781,347</u>	<u>650,875</u>	<u>672,699</u>	<u>18,235,778</u>
Total expenses	<u>13,231,958</u>	<u>6,609,613</u>	<u>5,863,276</u>	<u>6,085,218</u>	<u>5,828,443</u>	<u>5,958,693</u>	<u>5,487,324</u>	<u>49,064,525</u>
Increase (decrease) in unrestricted net assets	<u>27,912</u>	<u>(287,499)</u>	<u>297,183</u>	<u>351,476</u>	<u>401,940</u>	<u>41,815</u>	<u>(207,596)</u>	<u>625,231</u>
TEMPORARILY RESTRICTED NET ASSETS:								
Amounts released from restriction	(628,614)	(66,127)	-	(81,127)	-	(76,127)	-	(851,995)
Contributions	73,366	-	-	-	-	-	-	73,366
Increase (decrease) in temporarily restricted net assets	<u>(555,248)</u>	<u>(66,127)</u>	<u>-</u>	<u>(81,127)</u>	<u>-</u>	<u>(76,127)</u>	<u>-</u>	<u>(778,629)</u>
Beginning net assets	<u>6,847,614</u>	<u>2,179,381</u>	<u>1,766,882</u>	<u>1,352,122</u>	<u>745,658</u>	<u>641,628</u>	<u>99,642</u>	<u>13,632,927</u>
Ending net assets	<u>\$ 6,320,278</u>	<u>\$ 1,825,755</u>	<u>\$ 2,064,065</u>	<u>\$ 1,622,471</u>	<u>\$ 1,147,598</u>	<u>\$ 607,316</u>	<u>\$ (107,954)</u>	<u>\$ 13,479,529</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES - SCHOOLS (Continued)
For the Year Ended June 30, 2015**

	From Page 1	California				Tennessee	Total Page 2
		RSA	RSK	RFZ	RRWC	RNNE	
UNRESTRICTED NET ASSETS:							
Revenues							
LCFF State Aid	\$ 19,082,831	\$ 4,150,798	\$ 3,144,457	\$ 3,017,386	\$ -	\$ -	\$ 29,395,472
Apportionment revenue	-	-	-	-	-	4,035,160	4,035,160
Property taxes	5,422,515	174,253	1,129,036	810,270	-	-	7,536,074
Other State revenue	6,292,447	1,030,916	946,609	832,871	-	-	9,102,843
Federal revenue	4,620,972	715,508	585,895	737,316	56,018	757,397	7,473,106
Other local revenue	8,718,618	33,351	55,355	40,549	-	13,474	8,861,347
Contributions	4,700,378	122,009	168,817	203,062	100,000	101,169	5,395,435
Amounts released from restriction	851,995	-	-	-	-	-	851,995
Total unrestricted revenues	<u>49,689,756</u>	<u>6,226,835</u>	<u>6,030,169</u>	<u>5,641,454</u>	<u>156,018</u>	<u>4,907,200</u>	<u>72,651,432</u>
Program Expenses							
Educational programs	30,828,747	4,898,710	5,308,600	5,342,008	79,623	4,576,754	51,034,442
Supporting Services							
Site supports and program development	8,983,838	-	-	-	-	-	8,983,838
Administration and general	9,251,940	790,954	760,013	640,389	56	637,390	12,080,742
Total supporting services	<u>18,235,778</u>	<u>790,954</u>	<u>760,013</u>	<u>640,389</u>	<u>56</u>	<u>637,390</u>	<u>21,064,580</u>
Total expenses	<u>49,064,525</u>	<u>5,689,664</u>	<u>6,068,613</u>	<u>5,982,397</u>	<u>79,679</u>	<u>5,214,144</u>	<u>72,099,022</u>
Increase (decrease) in unrestricted net assets	<u>625,231</u>	<u>537,171</u>	<u>(38,444)</u>	<u>(340,943)</u>	<u>76,339</u>	<u>(306,944)</u>	<u>552,410</u>
TEMPORARILY RESTRICTED NET ASSETS:							
Amounts released from restriction	(851,995)	-	-	-	-	-	(851,995)
Contributions	<u>73,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,366</u>
Increase (decrease) in temporarily restricted net assets	<u>(778,629)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(778,629)</u>
Beginning net assets	<u>13,632,927</u>	<u>898,294</u>	<u>258,283</u>	<u>(612,955)</u>	<u>-</u>	<u>(29,989)</u>	<u>14,146,560</u>
Ending net assets	<u>\$ 13,479,529</u>	<u>\$ 1,435,465</u>	<u>\$ 219,839</u>	<u>\$ (953,898)</u>	<u>\$ 76,339</u>	<u>\$ (336,933)</u>	<u>\$ 13,920,341</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES - SCHOOLS (Continued)
For the Year Ended June 30, 2015**

	<u>From Page 2</u>	<u>Tennessee</u> RUA	<u>Eliminations</u>	<u>RSED Total</u>	<u>Wisconsin</u> RSCP	<u>D.C.</u> RSDC	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED NET ASSETS:								
Revenues								
LCFF State Aid	\$ 29,395,472	\$ -	\$ -	\$ 29,395,472	\$ -	\$ -	\$ -	\$ 29,395,472
Apportionment revenue	4,035,160	-	-	4,035,160	3,003,900	-	-	7,039,060
Property taxes	7,536,074	-	-	7,536,074	-	-	-	7,536,074
Other State revenue	9,102,843	-	-	9,102,843	97,373	-	-	9,200,216
Federal revenue	7,473,106	17,798	-	7,490,904	645,999	-	-	8,136,903
Other local revenue	8,861,347	-	(7,256,205)	1,605,142	7,399	-	(1,230,782)	381,759
Contributions	5,395,435	100,000	(500,000)	4,995,435	6,227	250,000	-	5,251,662
Amounts released from restriction	851,995	-	-	851,995	-	-	-	851,995
Total unrestricted revenues	<u>72,651,432</u>	<u>117,798</u>	<u>(7,756,205)</u>	<u>65,013,025</u>	<u>3,760,898</u>	<u>250,000</u>	<u>(1,230,782)</u>	<u>67,793,141</u>
Program Expenses								
Educational programs	51,034,442	69,201	-	51,103,643	3,916,780	-	-	55,020,423
Supporting Services								
Site supports and program development	8,983,838	-	(500,000)	8,483,838	-	750,000	(750,000)	8,483,838
Administration and general	12,080,742	56	(7,256,205)	4,824,593	509,925	-	(480,782)	4,853,736
Total supporting services	<u>21,064,580</u>	<u>56</u>	<u>(7,756,205)</u>	<u>13,308,431</u>	<u>509,925</u>	<u>750,000</u>	<u>(1,230,782)</u>	<u>13,337,574</u>
Total expenses	<u>72,099,022</u>	<u>69,257</u>	<u>(7,756,205)</u>	<u>64,412,074</u>	<u>4,426,705</u>	<u>750,000</u>	<u>(1,230,782)</u>	<u>68,357,997</u>
Increase (decrease) in unrestricted net assets	<u>552,410</u>	<u>48,541</u>	<u>-</u>	<u>600,951</u>	<u>(665,807)</u>	<u>(500,000)</u>	<u>-</u>	<u>(564,856)</u>
TEMPORARILY RESTRICTED NET ASSETS:								
Amounts released from restriction	(851,995)	-	-	(851,995)	-	-	-	(851,995)
Contributions	73,366	-	-	73,366	-	-	-	73,366
Increase (decrease) in temporarily restricted net assets	<u>(778,629)</u>	<u>-</u>	<u>-</u>	<u>(778,629)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(778,629)</u>
Beginning net assets	<u>14,146,560</u>	<u>-</u>	<u>-</u>	<u>14,146,560</u>	<u>(728,265)</u>	<u>-</u>	<u>-</u>	<u>13,418,295</u>
Ending net assets	<u>\$ 13,920,341</u>	<u>\$ 48,541</u>	<u>\$ -</u>	<u>\$ 13,968,882</u>	<u>\$ (1,394,072)</u>	<u>\$ (500,000)</u>	<u>\$ -</u>	<u>\$ 12,074,810</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS - ROCKETSHIP SCHOOLS
For the Year Ended June 30, 2015**

	California							Total Page 1
	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	
CASH FLOWS from OPERATING ACTIVITIES:								
Change in Net Assets	\$ (527,336)	\$ (353,626)	\$ 297,183	\$ 270,349	\$ 401,940	\$ (34,312)	\$ (207,596)	\$ (153,398)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	57,768	21,022	21,675	20,939	18,375	21,002	13,939	174,720
Debt forgiven through grant agreement	(550,000)	-	-	-	-	-	-	(550,000)
Donated investments	(249,350)	-	-	-	-	-	-	(249,350)
(Increase) or decrease in operating assets:								
Accounts receivable	2,156,331	33,337	573,135	514,317	548,221	753,234	646,729	5,225,304
Grants receivable	791,952	-	-	-	-	-	-	791,952
Prepaid expenses and deposits	471,584	21,145	2,371	166,901	149,530	157,476	(1,980)	967,027
Increase or (decrease) in operating liabilities:								
Accounts payable and accrued liabilities	(338,539)	(47,075)	56,487	10,233	65,365	303,640	245,061	295,172
Deferred revenue	-	31,597	(20,471)	(62,901)	(63,805)	(64,107)	(33,984)	(213,671)
Deferred rent liability	-	-	127,848	-	(12,047)	-	454,805	570,606
Net cash provided (used) by operating activities	<u>1,812,410</u>	<u>(293,600)</u>	<u>1,058,228</u>	<u>919,838</u>	<u>1,107,579</u>	<u>1,136,933</u>	<u>1,116,974</u>	<u>6,858,362</u>
CASH FLOWS from INVESTING ACTIVITIES:								
Purchase of property plant and equipment	(20,000)	(272,754)	(359,020)	(218,430)	(178,938)	(174,836)	(7,184)	(1,231,162)
Net cash used by investing activities	<u>(20,000)</u>	<u>(272,754)</u>	<u>(359,020)</u>	<u>(218,430)</u>	<u>(178,938)</u>	<u>(174,836)</u>	<u>(7,184)</u>	<u>(1,231,162)</u>
CASH FLOWS from FINANCING ACTIVITIES:								
Change in restricted cash	-	-	-	-	-	-	-	-
Intracompany loans	(747,479)	-	-	-	-	-	-	(747,479)
Proceeds from debt	-	-	-	-	-	-	-	-
Repayment of debt	(7,000,000)	-	(520,000)	(750,000)	(550,000)	(782,500)	(902,498)	(10,504,998)
Net cash provided (used) by financing activities	<u>(7,747,479)</u>	<u>-</u>	<u>(520,000)</u>	<u>(750,000)</u>	<u>(550,000)</u>	<u>(782,500)</u>	<u>(902,498)</u>	<u>(11,252,477)</u>
Net increase (decrease) in cash and cash equivalents	(5,955,069)	(566,354)	179,208	(48,592)	378,641	179,597	207,292	(5,625,277)
Cash and cash equivalents at the beginning of the year	9,739,373	1,459,652	1,397,236	814,746	716,361	168,337	452,200	14,747,905
Cash and cash equivalents at the end of the year	<u>\$ 3,784,304</u>	<u>\$ 893,298</u>	<u>\$ 1,576,444</u>	<u>\$ 766,154</u>	<u>\$ 1,095,002</u>	<u>\$ 347,934</u>	<u>\$ 659,492</u>	<u>\$ 9,122,628</u>
CASH PAID FOR INTEREST (Net of capitalized amount)	<u>\$ 17,500</u>	<u>\$ 3</u>	<u>\$ 5,939</u>	<u>\$ 8,293</u>	<u>\$ 6,045</u>	<u>\$ 8,318</u>	<u>\$ 10,114</u>	<u>\$ 56,212</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS - ROCKETSHIP SCHOOLS (Continued)
For the Year Ended June 30, 2015**

	From Page 1	California				Tennessee	Total Page 2
		RSA	RSK	RFZ	RRWC	RNNE	
CASH FLOWS from OPERATING ACTIVITIES:							
Change in Net Assets	\$ (153,398)	\$ 537,171	\$ (38,444)	\$ (340,943)	\$ 76,339	\$ (306,944)	\$ (226,219)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:							
Depreciation	174,720	19,391	12,067	2,946	-	2,442	211,566
Debt forgiven through grant agreement	(550,000)	-	-	-	-	-	(550,000)
Donated investments	(249,350)	-	-	-	-	-	(249,350)
(Increase) or decrease in operating assets:							
Accounts receivable	5,225,304	253,848	373,024	(978,252)	(1,500)	(123,741)	4,748,683
Grants receivable	791,952	-	-	-	-	-	791,952
Prepaid expenses and deposits	967,027	49,663	36,732	101,424	(88,060)	118,862	1,185,648
Increase or (decrease) in operating liabilities:							
Accounts payable and accrued liabilities	295,172	199,692	136,784	532,449	95,467	157,185	1,416,749
Deferred revenue	(213,671)	(49,237)	-	-	10,395	-	(252,513)
Deferred rent liability	570,606	(25,802)	192,735	602,314	-	168,347	1,508,200
Net cash provided (used) by operating activities	<u>6,858,362</u>	<u>984,726</u>	<u>712,898</u>	<u>(80,062)</u>	<u>92,641</u>	<u>16,151</u>	<u>8,584,716</u>
CASH FLOWS from INVESTING ACTIVITIES:							
Purchase of property plant and equipment	<u>(1,231,162)</u>	<u>(157,587)</u>	<u>(86,641)</u>	<u>(13,836)</u>	<u>-</u>	<u>(13,630)</u>	<u>(1,502,856)</u>
Net cash used by investing activities	<u>(1,231,162)</u>	<u>(157,587)</u>	<u>(86,641)</u>	<u>(13,836)</u>	<u>-</u>	<u>(13,630)</u>	<u>(1,502,856)</u>
CASH FLOWS from FINANCING ACTIVITIES:							
Change in restricted cash	-	-	-	-	-	-	-
Intracompany loans	(747,479)	-	-	-	-	(102,521)	(850,000)
Proceeds from debt	-	-	-	100,000	100,000	100,000	300,000
Repayment of debt	<u>(10,504,998)</u>	<u>(702,498)</u>	<u>(687,496)</u>	<u>(62,496)</u>	<u>-</u>	<u>-</u>	<u>(11,957,488)</u>
Net cash provided (used) by financing activities	<u>(11,252,477)</u>	<u>(702,498)</u>	<u>(687,496)</u>	<u>37,504</u>	<u>100,000</u>	<u>(2,521)</u>	<u>(12,507,488)</u>
Net increase (decrease) in cash and cash equivalents	(5,625,277)	124,641	(61,239)	(56,394)	192,641	-	(5,425,628)
Cash and cash equivalents at the beginning of the year	14,747,905	699,699	99,652	118,673	-	-	15,665,929
Cash and cash equivalents at the end of the year	<u>\$ 9,122,628</u>	<u>\$ 824,340</u>	<u>\$ 38,413</u>	<u>\$ 62,279</u>	<u>\$ 192,641</u>	<u>\$ -</u>	<u>\$ 10,240,301</u>
CASH PAID FOR INTEREST (Net of capitalized amount)	<u>\$ 56,212</u>	<u>\$ 7,799</u>	<u>\$ 8,028</u>	<u>\$ 376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,415</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS - ROCKETSHIP SCHOOLS (Continued)
For the Year Ended June 30, 2015**

	<u>Tennessee</u>			<u>Wisconsin</u>		<u>D.C.</u>		
	<u>From Page 2</u>	<u>RUA</u>	<u>Eliminations</u>	<u>RSED Total</u>	<u>RSCP</u>	<u>RSDC</u>	<u>Eliminations</u>	<u>Total</u>
CASH FLOWS from OPERATING ACTIVITIES:								
Change in Net Assets	\$ (226,219)	\$ 48,541	\$ -	\$ (177,678)	\$ (665,807)	\$ (500,000)	\$ -	\$ (1,343,485)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	211,566	-	-	211,566	-	-	-	211,566
Debt forgiven through grant agreement	(550,000)	-	-	(550,000)	-	-	-	(550,000)
Donated investments	(249,350)	-	-	(249,350)	-	-	-	(249,350)
(Increase) or decrease in operating assets:								
Accounts receivable	4,748,683	(3,125)	1,140,629	5,886,187	162,065	-	-	6,048,252
Grants receivable	791,952	-	-	791,952	-	(250,000)	-	541,952
Prepaid expenses and deposits	1,185,648	(165,998)	-	1,019,650	46,671	-	-	1,066,321
Increase or (decrease) in operating liabilities:								
Accounts payable and accrued liabilities	1,416,749	184,181	(1,140,629)	460,301	270,192	750,000	-	1,480,493
Deferred revenue	(252,513)	-	-	(252,513)	-	-	-	(252,513)
Deferred rent liability	1,508,200	-	-	1,508,200	6,071	-	-	1,514,271
Net cash provided (used) by operating activities	<u>8,584,716</u>	<u>63,599</u>	<u>-</u>	<u>8,648,315</u>	<u>(180,808)</u>	<u>-</u>	<u>-</u>	<u>8,467,507</u>
CASH FLOWS from INVESTING ACTIVITIES:								
Purchase of property plant and equipment	<u>(1,502,856)</u>	<u>(1,800)</u>	<u>-</u>	<u>(1,504,656)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,504,656)</u>
Net cash used by investing activities	<u>(1,502,856)</u>	<u>(1,800)</u>	<u>-</u>	<u>(1,504,656)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,504,656)</u>
CASH FLOWS from FINANCING ACTIVITIES:								
Change in restricted cash	-	-	-	-	-	-	-	-
Intracompany loans	(850,000)	-	-	(850,000)	850,000	-	-	-
Proceeds from debt	300,000	100,000	-	400,000	-	-	-	400,000
Repayment of debt	<u>(11,957,488)</u>	<u>-</u>	<u>-</u>	<u>(11,957,488)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,957,488)</u>
Net cash provided (used) by financing activities	<u>(12,507,488)</u>	<u>100,000</u>	<u>-</u>	<u>(12,407,488)</u>	<u>850,000</u>	<u>-</u>	<u>-</u>	<u>(11,557,488)</u>
Net increase (decrease) in cash and cash equivalents	(5,425,628)	161,799	-	(5,263,829)	669,192	-	-	(4,594,637)
Cash and cash equivalents at the beginning of the year	<u>15,665,929</u>	<u>-</u>	<u>-</u>	<u>15,665,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,665,929</u>
Cash and cash equivalents at the end of the year	<u>\$ 10,240,301</u>	<u>\$ 161,799</u>	<u>\$ -</u>	<u>\$ 10,402,100</u>	<u>\$ 669,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,071,292</u>
CASH PAID FOR INTEREST (Net of capitalized amount)	<u>\$ 72,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,415</u>	<u>\$ 19,793</u>	<u>\$ -</u>	<u>\$ (19,793)</u>	<u>\$ 72,415</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF INSTRUCTIONAL MINUTES - CALIFORNIA
For the Year Ended June 30, 2015**

2014-15 Minutes					
	<u>Requirement</u>	<u>Reduced</u>	<u>Actual</u>	<u>Days</u>	<u>Status</u>
Kindergarten:					
RMS	36,000	34,971	66,090	181	In compliance
RSSP	36,000	34,971	68,100	181	In compliance
RLS	36,000	34,971	68,570	181	In compliance
ROMO	36,000	34,971	69,710	181	In compliance
RDP	36,000	34,971	67,230	180	In compliance
RBM	36,000	34,971	69,910	181	In compliance
RSA	36,000	34,971	66,290	181	In compliance
RSK	36,000	34,971	72,460	181	In compliance
RFZ	36,000	34,971	74,200	181	In compliance
Grade 1:					
RMS	50,400	48,960	68,570	181	In compliance
RSSP	50,400	48,960	67,230	181	In compliance
RLS	50,400	48,960	70,380	181	In compliance
ROMO	50,400	48,960	68,100	181	In compliance
RDP	50,400	48,960	68,805	180	In compliance
RBM	50,400	48,960	72,190	181	In compliance
RSA	50,400	48,960	68,570	181	In compliance
RSK	50,400	48,960	74,940	181	In compliance
RFZ	50,400	48,960	71,050	181	In compliance
Grade 2:					
RMS	50,400	48,960	69,910	181	In compliance
RSSP	50,400	48,960	67,230	181	In compliance
RLS	50,400	48,960	70,380	181	In compliance
ROMO	50,400	48,960	68,570	181	In compliance
RDP	50,400	48,960	69,040	180	In compliance
RBM	50,400	48,960	74,000	181	In compliance
RSA	50,400	48,960	68,570	181	In compliance
RSK	50,400	48,960	77,220	181	In compliance
RFZ	50,400	48,960	71,050	181	In compliance
Grade 3:					
RMS	50,400	48,960	70,380	181	In compliance
RSSP	50,400	48,960	69,040	181	In compliance
RLS	50,400	48,960	72,190	181	In compliance
ROMO	50,400	48,960	68,570	181	In compliance
RDP	50,400	48,960	70,615	180	In compliance
RBM	50,400	48,960	74,000	181	In compliance
RSA	50,400	48,960	71,720	181	In compliance
RSK	50,400	48,960	77,690	181	In compliance
RFZ	50,400	48,960	71,050	181	In compliance

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF INSTRUCTIONAL MINUTES - CALIFORNIA
For the Year Ended June 30, 2015**

2014-15 Minutes					
	<u>Requirement</u>	<u>Reduced</u>	<u>Actual</u>	<u>Days</u>	<u>Status</u>
Grade 4:					
RMS	54,000	52,457	70,380	181	In compliance
RSSP	54,000	52,457	70,850	181	In compliance
RLS	54,000	52,457	72,190	181	In compliance
ROMO	54,000	52,457	70,380	181	In compliance
RDP	54,000	52,457	70,850	180	In compliance
RBM	54,000	52,457	72,260	181	In compliance
RSA	54,000	52,457	70,380	181	In compliance
RSK	54,000	52,457	76,280	181	In compliance
RFZ	54,000	52,457	71,050	181	In compliance
Grade 5:					
RMS	54,000	52,457	70,380	181	In compliance
RSSP	54,000	52,457	70,850	181	In compliance
RLS	54,000	52,457	72,190	181	In compliance
ROMO	54,000	52,457	70,380	181	In compliance
RDP	54,000	52,457	70,850	180	In compliance
RSA	54,000	52,457	70,380	181	In compliance
RSK	54,000	52,457	76,280	181	In compliance

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE - CALIFORNIA
For the Year Ended June 30, 2015**

	Second			
	Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades TK/K-3:				
RMS	416.54	417.80	417.61	419.05
RSSP	421.86	422.35	423.27	423.81
RLS	420.12	420.57	418.11	418.52
ROMO	409.65	410.66	409.65	410.52
RDP	353.01	353.05	347.12	347.14
RBM	413.47	414.01	415.48	416.09
RSA	490.31	491.05	490.81	491.37
RSK	466.76	468.96	466.87	468.92
RFZ	416.70	417.00	416.26	416.53
Subtotal	<u>3,808.42</u>	<u>3,815.45</u>	<u>3,805.18</u>	<u>3,811.95</u>
Grades 4-6:				
RMS	173.89	174.36	173.38	173.75
RSSP	131.82	131.94	130.98	131.19
RLS	151.66	151.82	151.29	151.41
ROMO	143.70	144.01	143.92	144.22
RDP	134.90	134.90	133.40	133.40
RBM	57.36	57.36	57.56	57.60
RSA	100.09	100.28	100.83	100.97
RSK	73.43	73.61	73.36	73.50
RFZ	53.50	53.54	53.81	53.84
Subtotal	<u>1,020.35</u>	<u>1,021.82</u>	<u>1,018.53</u>	<u>1,019.88</u>
Grand Total	<u><u>4,828.77</u></u>	<u><u>4,837.27</u></u>	<u><u>4,823.71</u></u>	<u><u>4,831.83</u></u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

There were no adjustments between the Annual Financial Report and the Audited Financial Statements.

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA #	PTID	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	RSA	Total Page
U.S. Department of Education											
Charter School Program	84.282M	N/A	\$ 213,651	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,651
Pass Through Program From											
California Department of Education:											
Title I, Part A, Basic Grants											
Low-Income and Neglected	84.010	14329	-	213,917	235,619	236,806	221,651	220,307	187,135	204,378	1,519,813
Title II	84.367	14341	-	3,426	3,640	3,634	3,488	3,536	2,753	3,139	23,616
Title III	84.365	14356	-	36,595	42,045	42,160	41,153	40,291	31,595	35,864	269,703
Title V, Part B	84.282	14941	215,000								215,000
State Charter Schools Facilities	84.282D	N/A	-	-	-	-	-	-	-	-	-
Special Education Cluster:											
Special Education IDEA	84.027	13379	-	77,825	79,446	78,391	78,276	80,891	53,563	71,566	519,958
Subtotal: Special Ed Cluster			-	77,825	79,446	78,391	78,276	80,891	53,563	71,566	519,958
Pass Through Program From											
Metro Nashville Public Schools:											
Title I, Part A, Basic Grants											
Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	-	-	-
Title II	84.367	N/A	-	-	-	-	-	-	-	-	-
Title III	84.365	N/A	-	-	-	-	-	-	-	-	-
Title V, Part B	84.282	N/A	-	-	-	-	-	-	-	-	-
Charter School Program	84.282M	N/A									
Special Education Cluster:											
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	-	-
Special Education IDEA Preschool	84.173	N/A	-	-	-	-	-	-	-	-	-
Subtotal: Special Ed Cluster			-	-	-	-	-	-	-	-	-
Pass Through Program From											
Wisconsin Department of Public Instruction:											
Title I, Part A, Basic Grants											
Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	-	-	-
Title II	84.367	N/A	-	-	-	-	-	-	-	-	-
Title III	84.365	N/A	-	-	-	-	-	-	-	-	-
Title V, Part B	84.282	N/A	-	-	-	-	-	-	-	-	-
Special Education Cluster:											
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	-	-
Special Education IDEA Preschool	84.173	N/A	-	-	-	-	-	-	-	-	-
Subtotal: Special Ed Cluster			-	-	-	-	-	-	-	-	-
Total U.S Department of Education			<u>428,651</u>	<u>331,763</u>	<u>360,750</u>	<u>360,991</u>	<u>344,568</u>	<u>345,025</u>	<u>275,046</u>	<u>314,947</u>	<u>2,761,741</u>

N/A – Not available.

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA #	PTID	Total Previous Page	RSK	RFZ	RRWC	RNNE	RUA	RSCP	Federal Expenditures
U.S. Department of Education										
Charter School Program	84.282M	N/A	\$ 213,651	\$ -	\$ 419,917	\$ 56,018	\$ -	\$ -	\$ -	\$ 689,586
Pass Through Program From										
California Department of Education:										
Title I, Part A, Basic Grants										
Low-Income and Neglected	84.010	14329	1,519,813	147,489	-	-	-	-	-	1,667,302
Title II	84.367	14341	23,616	2,464	-	-	-	-	-	26,080
Title III	84.365	14356	269,703	32,098	-	-	-	-	-	301,801
Title V, Part B	84.282	14941	215,000	-	-	-	-	-	-	215,000
State Charter Schools Facilities	84.282D	N/A	-	-	-	-	-	-	-	-
Special Education Cluster:										
Special Education IDEA	84.027	13379	519,958	68,345	-	-	-	-	-	588,303
Subtotal: Special Ed Cluster			519,958	68,345	-	-	-	-	-	588,303
Pass Through Program From										
Metro Nashville Public Schools:										
Title I, Part A, Basic Grants										
Low-Income and Neglected	84.010	N/A	-	-	-	-	208,480	-	-	208,480
Title II	84.367	N/A	-	-	-	-	-	-	-	-
Title III	84.365	N/A	-	-	-	-	-	-	-	-
Title V, Part B	84.282	N/A	-	-	-	-	150,000	-	-	150,000
Charter School Program	84.282M	N/A	-	-	-	-	-	17,798	-	17,798
Special Education Cluster:										
Special Education IDEA	84.027	N/A	-	-	-	-	72,578	-	-	72,578
Special Education IDEA Preschool	84.173	N/A	-	-	-	-	-	-	-	-
Subtotal: Special Ed Cluster			-	-	-	-	72,578	-	-	72,578
Pass Through Program From										
Wisconsin Department of Public Instruction:										
Title I, Part A, Basic Grants										
Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	177,163	177,163
Title II	84.367	N/A	-	-	-	-	-	-	15,300	15,300
Title III	84.365	N/A	-	-	-	-	-	-	8,850	8,850
Title V, Part B	84.282	N/A	-	-	-	-	-	-	54,956	54,956
Special Education Cluster:										
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	64,509	64,509
Special Education IDEA Preschool	84.173	N/A	-	-	-	-	-	-	22,323	22,323
Subtotal: Special Ed Cluster			-	-	-	-	-	-	86,832	86,832
Total U.S Department of Education			<u>2,761,741</u>	<u>250,396</u>	<u>419,917</u>	<u>56,018</u>	<u>431,058</u>	<u>17,798</u>	<u>343,101</u>	<u>4,280,029</u>

N/A – Not available.

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA #	PTID	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	RSA	Total Page
U.S. Department of Agriculture:											
Pass Through Program From											
California Department of Education:											
Child Nutrition Cluster											
National School Lunch Program	10.555	N/A	\$ -	\$ 200,688	\$ 215,554	\$ 228,319	\$ 200,455	\$ 185,367	\$ 170,501	\$ 228,171	\$ 1,429,055
School Breakfast Program	10.553	N/A	-	161,960	165,275	170,498	162,021	142,763	141,384	172,390	1,116,291
Subtotal: Child Nutrition Cluster			-	362,648	380,829	398,817	362,476	328,130	311,885	400,561	2,545,346
Metro Nashville Public Schools:											
Child Nutrition Cluster											
National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	-
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	-
Subtotal: Child Nutrition Cluster			-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction:											
Child Nutrition Cluster											
National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	-
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	-
Subtotal: Child Nutrition Cluster			-	-	-	-	-	-	-	-	-
Total U.S Department of Agriculture			-	362,648	380,829	398,817	362,476	328,130	311,885	400,561	2,545,346
U.S. Department of Health and Human Services:											
Pass Through Program From											
California Department of Education:											
Medicaid	93.778	N/A	29,393	-	-	-	-	-	-	-	29,393
Pass Through Program From											
Wisconsin Department of Health Services:											
Medicaid	93.778	N/A	-	-	-	-	-	-	-	-	-
Total U.S Department of Health and Human Services			29,393	-	-	-	-	-	-	-	29,393
Total Federal Expenditures			\$ 458,044	\$ 694,411	\$ 741,579	\$ 759,808	\$ 707,044	\$ 673,155	\$ 586,931	\$ 715,508	\$ 5,336,480

N/A – Not available.

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA #	PTID	Total Previous Page	RSK	RFZ	RRWC	RNNE	RUA	RSCP	Federal Expenditures
U.S. Department of Agriculture:										
Pass Through Program From										
California Department of Education:										
Child Nutrition Cluster										
National School Lunch Program	10.555	N/A	\$ 1,429,055	\$ 189,201	\$ 184,181	\$ -	\$ -	\$ -	\$ -	\$ 1,802,437
School Breakfast Program	10.553	N/A	1,116,291	146,298	133,218	-	-	-	-	1,395,807
Subtotal: Child Nutrition Cluster			<u>2,545,346</u>	<u>335,499</u>	<u>317,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,198,244</u>
Metro Nashville Public Schools:										
Child Nutrition Cluster										
National School Lunch Program	10.555	N/A	-	-	-	-	191,869	-	-	191,869
School Breakfast Program	10.553	N/A	-	-	-	-	134,470	-	-	134,470
Subtotal: Child Nutrition Cluster			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,339</u>	<u>-</u>	<u>-</u>	<u>326,339</u>
Wisconsin Department of Public Instruction:										
Child Nutrition Cluster										
National School Lunch Program	10.555	N/A	-	-	-	-	-	-	191,973	191,973
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	97,504	97,504
Subtotal: Child Nutrition Cluster			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,477</u>	<u>289,477</u>
Total U.S Department of Agriculture			<u>2,545,346</u>	<u>335,499</u>	<u>317,399</u>	<u>-</u>	<u>326,339</u>	<u>-</u>	<u>289,477</u>	<u>3,814,060</u>
U.S. Department of Health and Human Services:										
Pass Through Program From										
California Department of Education:										
Medicaid	93.778	N/A	29,393	-	-	-	-	-	13,421	42,814
Pass Through Program From										
Wisconsin Department of Health Services:										
Medicaid	93.778	N/A	-	-	-	-	-	-	-	-
Total U.S Department of Health and Human Services			<u>29,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,421</u>	<u>42,814</u>
Total Federal Expenditures			<u>\$ 5,336,480</u>	<u>\$ 585,895</u>	<u>\$ 737,316</u>	<u>\$ 56,018</u>	<u>\$ 757,397</u>	<u>\$ 17,798</u>	<u>\$ 645,999</u>	<u>\$ 8,136,903</u>

N/A – Not available.

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Consolidating Statements

These statements provide detailed financial information of each charter school.

B. 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.

C. 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.

D. 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.

E. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133, this schedule is presented on the accrual basis of accounting.



**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, CA

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, 2015, 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 October 26, 2015.

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.

**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***

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
October 26, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

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) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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, 2015.

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 OMB Circular A-133, 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
October 26, 2015

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
 Rocketship Education and its Affiliates

We have audited Rocketship Education and its Affiliates’ (RSEA) compliance with the types of compliance requirements described in the *2014-15 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, 2015. 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.

Auditor’s 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 *2014-15 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 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 with those requirements.

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	No ⁽¹⁾
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	No ⁽²⁾
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

¹We did not perform testing for California Clean Energy Jobs Act because none of the funding received was spent during the fiscal year.

²We 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, 2015.

Purpose of the Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2014-15 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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
October 26, 2015

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued October 26, 2015:	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>No</i>
Noncompliance material to financial statements noted?	<i>No</i>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>No</i>
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of (Circular A-133)?	<i>No</i>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.282	Title V, Part B
84.282M	Charter School Program
10.555	Child Nutrition Programs
84.027	Special Education

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<i>No</i>

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

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

There were no findings and questioned costs related to the basic financial statements, federal awards, or state awards for the year ended June 30, 2015.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

2014-001 Unduplicated Local Control Funding Formula Pupil Counts 10000

Site: Rocketship Discovery Prep (RDP) - California

Criteria: Education code section 42238.02 (b)(2) requires a school district or charter school to submit its enrolled free and reduced-price meal eligibility, foster youth and English learner pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS). The CalPADS 1.17 and 1.18 reports should accurately report the number of students eligible for free and reduced price meals and those identified as “English Learners” and there should be supporting documentation for such classifications.

Condition: During testing, it was noted that 8 students of a sample of 15 did not have sufficient support to substantiate being eligible for a “free” or “reduced” status under the free and reduced meal program. For 6 students, no free or reduced meal applications were provided or equivalent documentation that contained household income or family size information. In addition, 2 students’ parents provided a signed form which requests a denial for free or reduced meals for the student. Thus, eligibility could not be substantiated for the students’ reported “free or reduced” status.

Effect: The School is not in compliance with Education code section 42238.02 (b)(2). The 1.17 and 1.18 reports contained errors.

Cause: Due to staffing issues at RDP 8 student’s applications identified above could not be located. For the other 2 students identified above, they did not meet the criteria specified in the Income Guidelines for Child Nutrition Programs for “free” or “reduced” status under the program. The discrepancies were not discovered during the initial classification process, and the inaccurate information was thus submitted for CalPADS reporting purposes.

Questioned Costs: Undeterminable.

Recommendation: We recommend RDP implement additional review procedures to ensure that errors are prevented on future CalPADS reporting and to make sure support is obtained for all classifications reported on CalPADS.

Status: Implemented.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

2014-002 **Child Nutrition: Eligibility** **50000**

Site: Rocketship Discovery Prep (RDP) - California
Federal Program: Child Nutrition Cluster
CFDA Number: 10.555
Federal Agency: U.S. Department of Agriculture
Name of Pass-Through Agency: California Department of Education

Criteria: Federal award guidelines state that free and reduced lunch applications must be complete, accurate, up-to-date and verified by an employee prior to approval.

Condition: RDP was unable to provide sufficient application for 8 students in a sample of 15 applications that were funded in full, or part, by a federal program. In addition, 2 students' parents provided a signed form which requests a denial for free or reduced meals for the student. Thus, eligibility could not be substantiated for the students' reported "free or reduced" status. See finding 2014-001.

Effect: RDP is not in compliance with the federal requirement of eligibility in relation to federal programs.

Cause: Due to staffing issues at RDP the 8 student's applications identified above could not be located. For the other 2 students identified above, they did not meet the criteria specified in the Income Guidelines for Child Nutrition Programs for "free" or "reduced" status under the program.

Total Program Expenditures: \$382,289

Questioned Costs: Undeterminable.

Recommendation: We recommend that RDP implement a process to verify applications for free and reduced lunches are complete, accurate and performed, at a minimum, on a yearly basis that coincides with RDP's fiscal year and granting period.

Status: Implemented.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

2014-003 Child Nutrition: Eligibility 50000

Site: Rocketship Southside Community Prep (RSCP) - Wisconsin

Federal Program: Child Nutrition Cluster

CFDA Number: 10.555

Federal Agency: U.S. Department of Agriculture

Name of Pass-Through Agency: Wisconsin Department of Public Instruction

Criteria: Federal award guidelines state that free and reduced lunch applications must be complete, accurate, up-to-date and verified by an employee prior to approval.

Condition: RSCP was unable to provide sufficient application for 3 students in a sample of 20 applications that were funded in full, or part, by a federal program. Two applications were filled out listing a school other than RSCP and one application not only had the wrong school but was also outside the granting period.

Effect: RSCP is not in compliance with the federal requirement of eligibility in relation to federal programs.

Cause: RSCP staff did not verify that applications were accurate and current prior to approval.

Total Program Expenditures: \$186,342

Questioned Costs: Undeterminable.

Recommendation: We recommend that RSCP implement a process to verify applications for free and reduced lunches are complete, accurate and performed, at a minimum, on a yearly basis that coincides with RSCP's fiscal year and granting period.

Status: Implemented.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

2014-004 Title V, Part B: Unallowable Costs 50000

Site: Rocketship Southside Community Prep (RSCP) - Wisconsin

Federal Program: Title V, Part B

CFDA Number: 10.282

Federal Agency: U.S. Department of Education

Name of Pass-Through Agency: Wisconsin Department of Public Instruction

Criteria: Federal award guidelines state that costs charged must be allowed for the program.

Condition: RSCP charged an employee to the federal and state grant that did not have a valid administrator's license and was therefore unqualified in that position.

Effect: RSCP is not in compliance with requirements of allowable costs in relation to these programs.

Cause: RSCP staff did not follow-up with the Wisconsin Department of Public Instruction for outstanding items communicated with the staff member.

Total Program Expenditures: \$404,401

Questioned Costs: \$10,541 charged to Title V and \$128,539 charged to state aid.

Recommendation: We recommend that RSCP verify that all staff has the appropriate license.

Status: Implemented.