

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**  
Milwaukee, Wisconsin

**Audited Financial Statements**

Year Ended June 30, 2015

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## Independent Auditors' Report

The Board of Directors  
Rocketship Southside Community Prep  
Milwaukee, Wisconsin

### Report on the Financial Statements

We have audited the accompanying financial statements of Rocketship Southside Community Prep ("RSCP") (a non-profit organization), which comprise the statement of financial position as of June 30, 2015, the related 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.

### Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RSCP 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**

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and by the *Wisconsin 2r Charter School Audit Manual* issued by the Wisconsin Department of Public Instruction, is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures by category on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements.

The financial information listed in the table of contents as supplementary 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 06, 2015 on our consideration of RSCP'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 RSCP's internal control over financial reporting and compliance.

October 06, 2015  
Milwaukee, Wisconsin

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**

Milwaukee, Wisconsin

**Statement of Financial Position**

June 30, 2015

**Current Assets:**

Cash and equivalents	\$	669,192
Accounts receivable		2,295
Grants receivable		77,826
Prepaid expenses		17,518
<b>Total current assets</b>	<b>\$</b>	<b><u>766,831</u></b>

**Liabilities and Net Assets (Deficit):**

**Current Liabilities:**

Accounts payable	\$	180,978
Related party payable		354,162
Payroll and other related liabilities		38,880
Accrued vacation		8,397
<b>Total current liabilities</b>		<b><u>582,417</u></b>

**Long-term Liabilities:**

Deferred rent liability		78,486
Related party payable		1,500,000
<b>Total long-term liabilities</b>		<b><u>1,578,486</u></b>
<b>Total liabilities</b>		<b>2,160,903</b>

**Net Assets (Deficit):**

Unrestricted		(1,394,072)
<b>Total liabilities and net assets (deficit)</b>	<b>\$</b>	<b><u>766,831</u></b>

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

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**

Milwaukee, Wisconsin

**Statement of Activities**

For the Year Ended June 30, 2015

**Revenue and Other Support:**

Apportionment revenue	\$	3,003,900
Other state revenue		97,373
Federal revenue		645,999
Other local revenue		<u>13,626</u>
<b>Total revenue and other support</b>		<u>3,760,898</u>

**Program Expenses:**

Educational programs		3,916,780
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**Supporting Services:**

Administration and general		<u>509,925</u>
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<b>Total expenses</b>		<u>4,426,705</u>
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<b>Decrease in unrestricted net assets</b>		(665,807)
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<b>Net Deficit, Beginning of year</b>		<u>(728,265)</u>
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<b>Net Deficit, End of year</b>	\$	<u><u>(1,394,072)</u></u>
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The accompanying notes to financial statements  
are an integral part of these statements.

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**

Milwaukee, Wisconsin

**Statement of Cash Flows**

June 30, 2015

**Cash Flows from Operating Activities:**

Change in net assets	\$	(665,807)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Changes in assets and liabilities:		
Accounts receivable		4,261
Grants receivable		157,804
Prepaid expenses		46,671
Accounts payable		27,071
Related party liabilities		212,873
Payroll and related liabilities		30,799
Accrued vacation		(551)
Deferred rent liability		6,071
<b>Net cash used by operating activities</b>		<u>(180,808)</u>

**Cash Flows From Financing Activities:**

Proceeds from related party loan payable		<u>850,000</u>
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**Net change in cash** 669,192

**Cash and Equivalents - Beginning of year** -

**Cash and Equivalents - End of year** \$ 669,192

**Supplemental Cash Flow Information:**

Interest paid	\$	<u><u>19,793</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
June 30, 2015

**1. Summary of Significant Accounting Policies**

**A. Nature of Activities**

Rocketship Education Wisconsin, Inc. ("RSEW") is a nonprofit public benefit organization which was incorporated 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 RSCP as a separate charter in November 2011. The Organization is an affiliate of Rocketship Education ("RSED") which is organized to manage, operate, guide, direct, and promote a network of public elementary charter schools.

**B. Basis of Accounting**

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

**C. Basis of Presentation**

Under accounting principles generally accepted in the United States of America, RSCP is required to report information regarding the financial position and activities according to three classes of net assets, defined as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of RSCP and/or passage of time

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of RSCP

**D. Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are 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.

**E. Income Tax Status**

RSCP is exempt from federal and state income taxes on related exempt-function income under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation. RSCP does not consider any of its support and revenues to be unrelated business income and, accordingly, no provision for income taxes has been provided in the accompanying financial statements. RSCP files a consolidated federal tax return with its parent (a non-profit entity).

Generally, for United States Federal income taxes, the Organization is only subject to examination for the current year's tax return and the preceding three years' returns. Generally, for Wisconsin income taxes, the Organization is only subject to examinations for current year's tax return and the preceding four years' returns.

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
June 30, 2015  
(Continued)

**1. Summary of Significant Accounting Policies (continued)**

**F. Use of Estimates in the Preparation of Financial Statements**

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

**G. Accounts Receivable**

Accounts receivable consist primarily of funds due from various governmental, nonprofit corporations and private individuals. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded.

**H. 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 life of the assets ranging from three to thirty-five years. RSCP capitalizes all expenditures of land, buildings and equipment in excess of \$5,000. As of June 30, 2015, no individual items were purchased in excess of \$5,000.

**I. Subsequent Events**

RSCP has evaluated subsequent events for potential recognition and/or disclosure in the financial statements through the date that the financial statements were available to be issued (October 06, 2015). There were no subsequent events that required recognition or disclosure.

**2. Related Party Transactions**

On June 30, 2015, RSCP amended the original line of credit dated June 30, 2014 and drew additional principal with RSED for \$850,000. The line of credit has quarterly interest payments at Libor + 250 bps not to exceed 4% with a maturity date of June 30, 2019. For the year ended June 30, 2015, the total amount of related party long-term liabilities was \$1,500,000. For the year ended June 30, 2015, total interest paid was \$19,793.

RSCP entered into a contract to receive management and support services from RSED for which they pay management fees. For the year ended June 30, 2015, the total amounts expensed and accrued for management fees were \$480,782 and \$354,162, respectively.

RSCP entered into a building lease agreement with Launchpad Development Milwaukee One LLC (a division of Launchpad Development Company, a supporting organization of RSED). The lease expires June 30, 2023 and requires monthly payments. Total rental expense and deferred rent liability for the year ending June 30, 2015 was \$610,321 and \$78,486, respectively.



**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
June 30, 2015  
(Continued)

**2. Related Party Transactions (Continued)**

The future estimated minimum required lease payments are as follows:

<b>Year Ending June 30,</b>	
2016	\$ 522,312
2017	534,624
2018	546,660
2019	558,960
2020	571,536
2021 and after	<u>1,792,932</u>
<b>Total</b>	<b>\$ <u>4,527,024</u></b>

**3. Concentrations**

RSCP received \$3,003,900 in revenue from one grant from the Wisconsin Department of Public Instruction during the year ended June 30, 2015 which represented 80% of RSCP's total revenue.

**4. Operating Leases**

RSCP leases a copier under non-cancelable operating leases. Total costs for such leases were \$13,731 for the year ended June 30, 2015. The future minimum lease payments for the leases are as follows:

<b>Year Ending June 30,</b>	
2016	\$ 5,404
2017	5,404
2018	<u>450</u>
<b>Total</b>	<b>\$ <u>11,258</u></b>

**5. Commitments and Contingencies**

RSCP 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.

RSCP has not fully complied with certain requirements applicable to its financial awards program in the previous year. Consequently, costs were considered to be disallowed by the affected funding agency, requiring reimbursement of \$32,547 for the year ended June 30, 2015, of which \$32,547 was recorded as a payable.

**6. Employee Retirement Plan**

RSCP employees are eligible to participate in RSED's sponsored 403(b) plan. RSED matches the lessor of 3% of salary or \$2,500. During the year ended June 30, 2015, RSED contributed \$26,050 to the plan.

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**

Milwaukee, Wisconsin

**Schedule of Expenditures by Category**

For the Year Ended June 30, 2015

Certified salaries	\$	1,167,064
Classified salaries		581,148
Benefits		406,266
Books and supplies		592,254
Other operating expenses		1,660,180
Interest expenses		<u>19,793</u>
<b>Total</b>	\$	<u><u>4,426,705</u></u>

See Independent Auditors' Report.

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**

Milwaukee, Wisconsin

**Schedule of Expenditures of Federal and State Awards**

For the Year Ended June 30, 2015

<u>Federal Awards</u>	<u>Federal Catalog Number</u>	<u>Grant Amount</u>
<b>U.S. Department of Education</b>		
Passed through Wisconsin Department of Public Instruction:		
Title I Grants to Local Educational Agencies	84.010	\$ 177,163
Title II-A Teacher/Principal Training	84.367	15,300
Title V-B Charter Schools	84.282	54,956
<i>Special Education Cluster:</i>		
IDEA Flow Through (EIS)	84.027	64,509
IDEA Preschool Entitlement	84.173	12,213
IDEA Preschool Discretionary (CDEB)	84.173	10,110
<i>Subtotal Special Education Cluster</i>		<u>86,832</u>
Passed through CESA I		
ESEA Title III-A English Language Acquisition	84.031	<u>8,850</u>
<b>Total U.S. Department of Education</b>		343,101
<b>U.S. Department of Agriculture</b>		
Passed through Wisconsin Department of Public Instruction:		
<i>Child Nutrition Cluster</i>		
Food Service Aid - Breakfast	10.553	97,504
Food Service Aid - Lunch	10.555	181,935
Donated Commodities	10.555	10,038
<i>Subtotal Child Nutrition Cluster</i>		<u>289,477</u>
<b>U.S. Department of Health and Human Services</b>		
Passed through Wisconsin Medicaid and Badgercare Programs		
Medical Assistance Program	93.778	<u>13,421</u>
<b>Total Federal Awards</b>		<u>\$ 645,999</u>
<u>State Awards</u>	<u>State ID Number</u>	<u>Grant Amount</u>
Wisconsin Department of Public Instruction:		
Special Education and School Age Parents**	255.101	\$ 95,395
State School Lunch Aid	255.102	1,978
Charter Schools State Aid	255.109	<u>3,003,900</u>
<b>Total State Awards</b>		<u>\$ 3,101,273</u>

\*\* Total Wisconsin DPI aidable expenditures for the year ended June 30, 2015 were \$217,187.

See Independent Auditors' Report.

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**  
Milwaukee, Wisconsin

**Notes to Schedule of Expenditures of Federal and State Awards**  
Year Ended June 30, 2015

**1. General**

The accompanying schedule of expenditures of federal and state awards represents the activity of all federal and state financial award programs of RSCP. All federal and state awards received directly from federal and state agencies as well as federal and state awards passed through other government agencies are included on the schedule.

**2. Basis of Accounting**

The accompanying schedule of expenditures of federal and state awards is presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded as liabilities when incurred.

**INDEPENDENT AUDITORS' 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 Southside Community Prep  
Milwaukee, Wisconsin

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 financial statements of Rocketship Southside Community Prep ("RSCP") (a non-profit organization), which comprise the statement of financial position as of June 30, 2015, the related statement 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 06, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered RSCP'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 RSCP's internal control. Accordingly, we do not express an opinion on the effectiveness of RSCP'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

October 06, 2015  
Milwaukee, Wisconsin

**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by OMB Circular A-133 and  
Wisconsin State Single Audit Guidelines**

Board of Directors  
Rocketship Southside Community Prep  
Milwaukee, Wisconsin

**Report on Compliance for Each Major Federal and State Program**

We have audited Rocketship Southside Community Prep's ("RSCP") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement and Wisconsin State Single Audit Guidelines* that that could have a direct and material effect on each of RSCP's major federal and state programs for the year ended June 30, 2015. RSCP's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of RSCP's major federal and state 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and Wisconsin State Single Audit Guidelines*. 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 or state program occurred. An audit includes examining, on a test basis, evidence about RSCP'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 and state program. However, our audit does not provide a legal determination on RSCP's compliance.

**Opinion on Each Major Federal and State Program**

In our opinion, RSCP 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 federal and state programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of RSCP 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 RSCP internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state 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 and state program and to test and report on internal control over compliance in accordance with *OMB Circular A-133 and Wisconsin State Single Audit Guidelines*, 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 RSCP'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 or state 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 or state 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 or state 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for other purposes.

October 06, 2015  
Milwaukee, Wisconsin



**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**  
Milwaukee, Wisconsin

**Schedule of Prior Year Audit Findings**  
Year Ended June 30, 2015

**Reference Number: 2014-001**

**Description: 10.555 & 10.553 Eligibility**

*Condition and 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. RSCP was unable to provide sufficient application for three students in our sample of twenty 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.

*Questioned Costs:* Undeterminable.

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

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

*Auditors' 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.

*RSCP's Response:* We have discussed this issue extensively with our school operations team and are immediately auditing all current year NSLP applications. Any current year errors will be revised by parents before any lunch claims are made. In addition, we are revising our NSLP collection and review process documentation and training plan to ensure that all Rocketship employees involved understand the requirements and are trained in accepting and reviewing these forms. For further inquiries regarding this finding please contact Margaret Diesel at 877-806-0920.

*Status:* For the 2014-2015 school year, RSCP qualified for the Community Eligibility Provision and therefore was not required to verify applications.

**Reference Number: 2014-002**

**Description: 84.282 & 255.109 Unallowable Costs**

*Condition and Criteria:* 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.

*84.282 Questioned Costs:* \$10,541 (\$8,769 in salaries and \$1,772 in benefits).

*255.109 Questioned Costs:* \$128,539 (\$105,231 in salaries and \$23,308 in benefits).

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

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

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

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**  
Milwaukee, Wisconsin

**Schedule of Prior Year Audit Findings**  
Year Ended June 30, 2015

**Reference Number: 2014-002 (Continued)**

**Description: 84.282 & 255.109 Unallowable Costs**

*RSCP's Response:* While there was some initial follow-up on transferring the administrator's license, a delay in getting transcripts caused the process to halt. We have restarted efforts to get this license transferred and expect to resolve it quickly as it requires only the submission of existing documentation to complete the application process. This administrator has completed all the educational and experience requirements for transfer of this license. We will also be doing a thorough review of all staff members to ensure that all staff have the appropriate licenses. For further inquiries regarding this finding, please contact Margaret Diesel at 877-806-0920.

*Status:* For the 2014-2015 school year these programs were tested again and no questioned costs were noted.

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**  
Milwaukee, Wisconsin

**Schedule of Findings and Questioned Costs**  
June 30, 2015

**A. Summary of Auditors' Results**

**Financial Statements**

- |  |            |
|--|------------|
| 1. Type of auditors' report issued:  | Unmodified |
| 2. Internal control over financial reporting:  |            |
| A. Material weakness(es) identified?   | No         |
| B. Significant deficiency(ies) identified that are not considered to be material weakness? | No         |
| 3. Noncompliance material to financial statements?   | No         |

**Federal Awards**

- |   |            |
|---|------------|
| 4. Internal control over major programs:  |            |
| A. Material weakness(es) identified:  | No         |
| B. Significant deficiency(ies) identified that are not considered to be material weakness?                            | No         |
| 5. Type of auditors' report issued on compliance for major programs:  | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No         |

7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.282	Title V-B Charter Schools
10.553	<u>Child Nutrition Cluster:</u>
10.555	National School Breakfast Program
	National School Lunch Program

- |  |           |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 9. Auditee qualified as low-risk auditee?                                  | No        |

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**  
Milwaukee, Wisconsin

**Schedule of Findings and Questioned Costs**  
**(Continued)**  
June 30, 2015

**A. Summary of Auditors' Results (Continued)**

**State Awards**

10. Internal control over financial reporting:

A. Material weakness identified No

B. Significant deficiency(ies) identified that are not considered to be material weakness? No

11. Type of auditors' report issued on compliance for major programs: Unmodified

12. Any audit findings disclosed that are required to be reported in accordance with Wisconsin State Single Audit Guidelines? No

13. Identification of major state programs:

<u>CFDA Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School-Age Parents
255.109	Charter Schools State Aid

**B. Financial Statement Findings**

None

**C. Federal and State Award Findings and Questioned Costs**

None

**ROCKETSHIP SOUTHSIDE COMMUNITY PREP**  
Milwaukee, Wisconsin

**Schedule of Findings and Questioned Costs**  
**(Continued)**  
June 30, 2015

**Section II – Other Issues**

1. Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

No

2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction

No

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?

No

4. Name and signature of partner

\_\_\_\_\_  
Carrie Gindt, CPA

5. Date of Report

October 06, 2015