

ROCKETSHIP EDUCATION AND ITS AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017)**

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
Rocketship Redwood City Prep
Rocketship Rising Stars
Rocketship Futuro Academy
Rocketship Delta Prep**

Tennessee

**Rocketship Nashville Northeast Elementary
Rocketship United Academy
Rocketship Partners Community Prep**

Wisconsin

**Rocketship Southside Community Prep
Rocketship Transformation Prep**

DC

**Rocketship Rise Academy
Rocketship Legacy Prep**

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rocketship Education and its Affiliates (RSEA), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2018, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RSEA as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

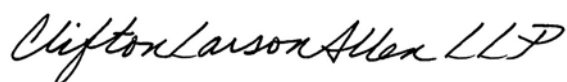
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited RSEA's 2017 consolidated financial statements, and we expressed an unmodified opinion on those statements in our report dated January 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 January 30, 2019 on our consideration of RSEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on RSEA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RSEA's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California

January 30, 2019

ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	Rocketship Education DC					2018 Total	2017 Total
	Rocketship Education	Rocketship Education Wisconsin Inc.	Public Charter School, Inc.	Launchpad Development Company	Eliminations		
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 20,844,116	\$ 883,567	\$ 2,453,937	\$ 14,612,692	\$ -	\$ 38,794,312	\$ 43,265,177
Restricted Cash	-	29,664	-	11,333,336	-	11,363,000	10,634,074
Accounts Receivable	9,235,556	3,667	-	294,198	-	9,533,421	8,203,486
Grants Receivable	-	533,532	870,751	-	-	1,404,283	476,241
Note Receivable	-	-	-	-	-	-	560,000
Prepaid Expenses and Deposits	2,349,122	48,343	46,422	903,568	-	3,347,455	1,368,099
Total Current Assets	<u>32,428,794</u>	<u>1,498,773</u>	<u>3,371,110</u>	<u>27,143,794</u>	<u>-</u>	<u>64,442,471</u>	<u>64,507,077</u>
LONG-TERM ASSETS							
Grants Receivable	-	75,000	-	-	-	75,000	96,325
Intracompany Receivable	4,949,638	334	643,470	-	(5,593,442)	-	-
Security Deposits	429,295	5,000	1,500	-	(400,000)	35,795	-
Deferred Rent Asset	-	-	-	6,403,433	(6,403,433)	-	-
Property, Plant, and Equipment, Net	5,150,515	20,219	-	98,422,757	-	103,593,491	99,989,879
Total Long-Term Assets	<u>10,529,448</u>	<u>100,553</u>	<u>644,970</u>	<u>104,826,190</u>	<u>(12,396,875)</u>	<u>103,704,286</u>	<u>100,086,204</u>
Total Assets	<u>\$ 42,958,242</u>	<u>\$ 1,599,326</u>	<u>\$ 4,016,080</u>	<u>\$ 131,969,984</u>	<u>\$ (12,396,875)</u>	<u>\$ 168,146,757</u>	<u>\$ 164,593,281</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable and Accrued Liabilities	\$ 6,294,351	\$ 335,276	\$ 728,268	\$ 2,370,467	\$ -	\$ 9,728,362	\$ 6,783,072
Accrued Interest	85,119	-	-	507,338	-	592,457	761,817
Deferred Rent Liability	-	36,283	-	-	(36,283)	-	-
Deferred Revenues	1,324,670	-	-	9,456	(9,456)	1,324,670	823,348
Current Portion of Loans Payable	491,668	-	-	2,225,000	-	2,716,668	9,722,526
Total Current Liabilities	<u>8,195,808</u>	<u>371,559</u>	<u>728,268</u>	<u>5,112,261</u>	<u>(45,739)</u>	<u>14,362,157</u>	<u>18,090,763</u>
LONG-TERM LIABILITIES							
Security Deposits	-	-	-	400,000	(400,000)	-	-
Accrued Interest	148,825	-	-	-	-	148,825	113,478
Deferred Rent Liability	3,834,350	21,092	2,302,877	6,276,315	(6,357,694)	6,076,940	1,922,841
Intracompany Payable	-	2,643,691	2,949,751	-	(5,593,442)	-	-
Loans Payable	1,762,512	-	-	124,912,717	-	126,675,229	126,930,036
Total Long-Term Liabilities	<u>5,745,687</u>	<u>2,664,783</u>	<u>5,252,628</u>	<u>131,589,032</u>	<u>(12,351,136)</u>	<u>132,900,994</u>	<u>128,966,355</u>
NET ASSETS							
Unrestricted	28,924,363	(2,066,762)	(2,229,816)	(4,731,309)	-	19,896,476	16,490,691
Temporarily Restricted	92,384	629,746	265,000	-	-	987,130	1,045,472
Total Net Assets	<u>29,016,747</u>	<u>(1,437,016)</u>	<u>(1,964,816)</u>	<u>(4,731,309)</u>	<u>-</u>	<u>20,883,606</u>	<u>17,536,163</u>
Total Liabilities And Net Assets	<u>\$ 42,958,242</u>	<u>\$ 1,599,326</u>	<u>\$ 4,016,080</u>	<u>\$ 131,969,984</u>	<u>\$ (12,396,875)</u>	<u>\$ 168,146,757</u>	<u>\$ 164,593,281</u>

See accompanying Notes to Consolidated Financial Statements.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)**

	Rocketship Education	Rocketship Education Wisconsin Inc.	Rocketship Education DC Public Charter School, Inc.	Launchpad Development Company	Eliminations	2018 Total	2017 Total
UNRESTRICTED NET ASSETS							
REVENUES							
LCFF State Aid	\$ 39,238,901	\$ -	\$ -	\$ -	\$ -	\$ 39,238,901	\$ 38,756,121
Apportionment Revenue	9,928,496	4,138,735	10,138,348	-	-	24,205,579	20,628,908
Property Taxes	15,266,385	-	-	-	-	15,266,385	13,886,120
Other State Revenue	12,233,383	73,416	2,210,386	-	-	14,517,185	12,324,370
Federal Revenue	10,070,208	1,065,681	1,815,858	-	-	12,951,747	11,057,467
Other Local Revenue	5,015,447	26,830	8,118	18,619,442	(16,229,778)	7,440,059	2,766,145
Contributions	6,904,759	131,854	970,245	-	-	8,006,858	8,197,231
Amounts Released from Restriction	41,763	32,550	596,325	-	-	670,638	264,170
Total Unrestricted Revenues	<u>98,699,342</u>	<u>5,469,066</u>	<u>15,739,280</u>	<u>18,619,442</u>	<u>(16,229,778)</u>	<u>122,297,352</u>	<u>107,880,532</u>
EXPENSES							
Program Expenses:							
Educational programs	74,905,227	4,878,229	13,854,536	-	(16,229,778)	77,408,214	70,573,394
Supporting Services:							
Site Supports and Program Development	12,441,682	-	-	15,388,516	(145,000)	27,685,198	27,977,604
Administration and General	7,023,529	782,730	2,083,443	3,763,453	145,000	13,798,155	9,280,970
Total Supporting Services	<u>19,465,211</u>	<u>782,730</u>	<u>2,083,443</u>	<u>19,151,969</u>	<u>-</u>	<u>41,483,353</u>	<u>37,258,574</u>
Total Expenses	<u>94,370,438</u>	<u>5,660,959</u>	<u>15,937,979</u>	<u>19,151,969</u>	<u>(16,229,778)</u>	<u>118,891,567</u>	<u>107,831,968</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	4,328,904	(191,893)	(198,699)	(532,527)	-	3,405,785	48,564
TEMPORARILY RESTRICTED NET ASSETS							
Amounts Released from Restriction	(41,763)	(32,550)	(596,325)	-	-	(670,638)	(264,170)
Contributions	100,000	347,296	165,000	-	-	612,296	820,305
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	58,237	314,746	(431,325)	-	-	(58,342)	556,135
INCREASE (DECREASE) IN NET ASSETS	4,387,141	122,853	(630,024)	(532,527)	-	3,347,443	604,699
Net Assets - Beginning of Year	<u>24,629,606</u>	<u>(1,559,869)</u>	<u>(1,334,792)</u>	<u>(4,198,782)</u>	<u>-</u>	<u>17,536,163</u>	<u>16,931,464</u>
NET ASSETS - END OF YEAR	<u>\$ 29,016,747</u>	<u>\$ (1,437,016)</u>	<u>\$ (1,964,816)</u>	<u>\$ (4,731,309)</u>	<u>\$ -</u>	<u>\$ 20,883,606</u>	<u>\$ 17,536,163</u>

See accompanying Notes to Consolidated Financial Statements.

ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	Rocketship Education	Rocketship Education Wisconsin Inc.	Rocketship Education DC Public Charter School, Inc.	Launchpad Development Company	Eliminations	2018 Total	2017 Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets	\$ 4,387,141	\$ 122,853	\$ (630,024)	\$ (532,527)	\$ -	\$ 3,347,443	\$ 604,699
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:							
Depreciation and Amortization	338,971	36	-	2,964,498	-	3,303,505	2,957,153
Allowance for Nonrecoverable Project Costs	-	-	-	-	-	-	1,721,312
(Increase) Decrease in Operating Assets:							
Accounts Receivable	(1,440,173)	355,823	31,411	(276,996)	-	(1,329,935)	(276,902)
Grants Receivable	52,944	(608,532)	(351,129)	-	-	(906,717)	166,068
Prepaid Expenses and Other Current Assets	(683,311)	(22,771)	33,950	(564,060)	-	(1,236,192)	677,420
Deferred Rent Asset	-	-	-	(2,424,669)	2,424,669	-	-
Increase (Decrease) in Operating Liabilities:							
Accounts Payable and Accrued Liabilities	659,588	139,645	1,212,642	1,534,157	-	3,546,032	1,183,357
Deferred Revenues	531,264	-	(29,942)	(769,503)	-	(268,181)	(66,629)
Deferred Rent Liability	488,961	32,861	1,665,012	4,382,478	(2,424,669)	4,144,643	608,637
Net Cash Flows from Operating Activities	4,335,385	19,915	1,931,920	4,313,378	-	10,600,598	7,575,115
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from Note Receivable	-	-	-	560,000	-	560,000	-
Purchases of Property, Plant, and Equipment	(202,698)	(20,255)	-	(6,668,919)	-	(6,891,872)	(18,766,316)
Net Cash Flows from Investing Activities	(202,698)	(20,255)	-	(6,108,919)	-	(6,331,872)	(18,766,316)
CASH FLOWS FROM FINANCING ACTIVITIES							
Change in Restricted Cash	-	-	-	(699,262)	-	(699,262)	(3,009,144)
Intracompany Loans	382,460	365,846	(1,498,306)	-	-	(750,000)	(2,244,791)
Proceeds from Debt	200,000	-	-	16,860,412	-	17,060,412	44,837,264
Repayment of Debt	(1,633,348)	-	-	(22,687,729)	-	(24,321,077)	(9,700,583)
Net Cash Flows from by Financing Activities	(1,050,888)	365,846	(1,498,306)	(6,526,579)	-	(8,709,927)	29,882,746
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,081,799	365,506	433,614	(8,322,120)	-	(4,441,201)	18,691,545
Cash and Cash Equivalents - Beginning of Year	17,762,317	547,725	2,020,323	22,934,812	-	43,265,177	24,573,632
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 20,844,116</u>	<u>\$ 913,231</u>	<u>\$ 2,453,937</u>	<u>\$ 14,612,692</u>	<u>\$ -</u>	<u>\$ 38,823,976</u>	<u>\$ 43,265,177</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION							
Cash Paid for Interest, Net	<u>\$ 14,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,747,174</u>	<u>\$ -</u>	<u>\$ 7,761,957</u>	<u>\$ 6,734,613</u>
Capitalized Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,050</u>	<u>\$ -</u>	<u>\$ 28,050</u>	<u>\$ 111,379</u>

See accompanying Notes to Consolidated Financial Statements.

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

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

Principles of Consolidation

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

Rocketship Education (RSED)

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

- ***Rocketship Support Network (RSN)*** – Centralized resources providing management, back office support and organizational strategy.
- ***Rocketship Mateo Sheedy Elementary (RMS)*** – California charter school
- ***Rocketship Si Se Puede Academy (RSSP)*** – California charter school
- ***Rocketship Los Suenos Academy (RLS)*** – California charter school
- ***Rocketship Mosaic Elementary School (ROMO)*** – California charter school
- ***Rocketship Discovery Prep (RDP)*** – California charter school
- ***Rocketship Brilliant Minds (RBM)*** – California charter school
- ***Rocketship Alma Academy (RSA)*** – California charter school
- ***Rocketship Spark Academy (RSK)*** – California charter school
- ***Rocketship Fuerza Community Prep (RFZ)*** – California charter school
- ***Rocketship Redwood City Prep (RRWC)*** – California charter school
- ***Rocketship Rising Stars (RRS)*** – California charter school
- ***Rocketship Futuro Academy – (RFA)*** California charter school
- ***Rocketship Nashville Northeast Elementary (RNNE)*** – Tennessee charter school
- ***Rocketship United Academy (RUA)*** – Tennessee charter school
- ***Rocketship Partners Community Prep (RPP)*** – Tennessee charter school
- ***Rocketship Delta Prep (RDL)*** – California charter school (opened August 2018)

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

Rocketship Education Wisconsin Inc.

RSED incorporated Rocketship Education Wisconsin Inc., as a nonprofit public benefit corporation in October 2012 to hold the charter for its elementary school in Wisconsin, Rocketship Southside Community Prep (RSCP). There is a second school in its start-up year called Rocketship Transformation Prep which is expected to begin operations in the Fall of 2018.

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

Rocketship Education D.C., Public Charter School, Inc. (RSDC) incorporated as a nonprofit public benefit corporation during 2014 for the purpose of operating charter schools in Washington, DC. The District of Columbia Public Charter School Board (PCSB) approved RSDC to establish up to eight charter schools beginning in July 2016. Rocketship Education and RSDC entered into a Network Services Agreement to provide services for the DC region. RSDC operates two campuses, Rocketship RISE (RISE), opened in August 2016, and Rocketship Legacy Prep (RLP) opened in August 2017.

Launchpad Development Company

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

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

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

Basis of Presentation

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

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.

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.

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. There were no expenses for fundraising or the year ended June 30, 2018.

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 3 to 35 years. RSEA capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000.

Income Taxes

RSEA is comprised of various nonprofit 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 states in which it operates, as applicable.

Evaluation of Subsequent Events

RSEA has evaluated subsequent events through January 30, 2019, the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017, from which the summarized information was derived.

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 that \$507,646 of the In Lieu of Property Taxes receivables are uncollectible; therefore provisions for uncollectible accounts were recorded as of June 30, 2018.

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, 2018 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 CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 PROPERTY, PLANT, AND EQUIPMENT

Property and equipment consisted of the following:

	RSED	LDC	RSEA Total
Land	\$ -	\$ 16,310,375	\$ 16,310,375
Furniture and Equipment	794,478	422,131	1,216,609
Buildings	5,799,793	87,974,773	93,774,566
Other	12,755	7,126,245	7,139,000
Less: Accumulated Depreciation	(1,436,292)	(13,410,767)	(14,847,059)
Total	<u>\$ 5,170,734</u>	<u>\$ 98,422,757</u>	<u>\$ 103,593,491</u>

Depreciation expense was \$3,303,502 for the year ended June 30, 2018.

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%. Of this amount, \$2.0 million plus associated interest will be forgiven and converted into a grant provided that RSN meet specified educational, financial and growth outcomes.

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

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

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

The remaining nonconvertible \$1.05 million of the loan plus accrued interest will be due on June 30, 2018 (\$100,000 paid), June 30, 2019 (\$200,000) and June 30, 2020 (\$500,000), and on June 20, 2021 (\$250,000) and all remaining accrued interest.

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 DEBT (CONTINUED)

Convertible Debt (Continued)

RSN – Charter School Growth Fund (Continued)

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

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

During the 2016/17 school year, RSN and CSGF entered into a \$1 million Subordinated Loan Agreement at an effective rate of 1.0 percent. The entire loan plus associated interest will be forgiven and converted into a grant provided that RSN meet specified educational, financial and growth outcomes prior to December 31, 2019. If not converted, the loan and interest is scheduled to be repaid in full December 31, 2022.

Loans Payable

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

As of June 30, 2018, three of Rocketship's California schools have revolving loans payable to the California School Finance Authority (CSFA) ranging from \$65,500 to \$250,000, totaling \$541,680 combined. The loans have effective interest rates ranging from 0.22% to 1.47%. Principal is payable over a four or five-year period, with installments ranging from \$20,000 to \$62,500 deducted from apportionment revenue. Final maturity is 2022.

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".

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 DEBT (CONTINUED)

Loans Payable (Continued)

LLC5 - Low Income Investment Fund Sub-CDE VIII LLC Loan (Continued)

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” (QLICI) 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 loan was repaid and retired in August 2017 with the proceeds from the Obligated Group Bonds Series 2017A and B.

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

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

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

LLC18 – LIIF Acquisition Loan

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

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

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

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 DEBT (CONTINUED)

Loans Payable (Continued)

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

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

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

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

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

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

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

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

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 DEBT (CONTINUED)

Loans Payable (Continued)

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

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

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

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

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

Future maturities of debt in summary:

<u>Year Ended June 30,</u>	<u>RSED</u>	<u>LDC</u>	<u>Total</u>
2019	\$ 491,668	\$ 2,225,000	\$ 2,716,668
2020	987,512	3,545,000	4,532,512
2021	712,500	2,455,000	3,167,500
2022	62,500	2,650,000	2,712,500
2023	-	2,995,000	2,995,000
Thereafter	-	117,756,675	117,756,675
Subtotal	2,254,180	131,626,675	133,880,855
Cost of Issuance and Discounts/Premiums	-	(4,488,958)	(4,488,958)
Total	<u>\$ 2,254,180</u>	<u>\$ 127,137,717</u>	<u>\$ 129,391,897</u>

Amortization expense for cost of issuance and discounts/premiums was \$290,632 for the year ended June 30, 2018.

NOTE 7 NET ASSET RESTRICTIONS

Temporarily restricted net assets of \$987,130 relate to grants that are specifically restricted to future operations.

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 OPERATING LEASES

RSN Administrative Offices

In October 2012, RSN entered into a five-year lease for office facilities payable at \$10,612, plus common area maintenance, payable monthly. The lease includes a waiver of rent (\$10,611) contingent upon RSN's status as a nonprofit public benefit corporation. The lease was renewed on August 7, 2018. During the year ended June 30, 2018, temporarily restricted net assets released from restriction from in-kind rent was \$125,290 (net of prior year discount) and lease expense totaled \$163,639.

RSN leases administrative offices in San Jose, California, Concord, California, Milwaukee, Wisconsin, and Nashville, Tennessee under various operating leases. Lease expense for all regional administrative offices totaled \$221,122 for the year ended June 30, 2018.

LLC10-RSK Site Land Lease

20-year land lease, \$8,400 payable monthly (\$100,800 annually), subject to adjustment every three years. Lease expense recognized for the year ended June 30, 2018 was \$100,800.

LLC11-RBM Site Land Lease

30 year land lease, \$7,917 payable monthly, subject to adjustment in 2023. Lease expense recognized for the year ended June 30, 2018 was \$95,004.

LLC12-RFZ Site Land Lease

35-year land lease, \$24,000 payable monthly during the year ended June 30, 2018. 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, 2018, total lease expense of \$387,863 has been accrued and lease payments totaled \$287,400.

RFZ Site Land Lease

34-year land lease for addition to RFZ site, payable between \$2,885 and \$2,928 monthly during the year ended June 30, 2018. 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, 2018, total lease expense of \$32,295 has been accrued and lease payments totaled \$32,272.

RRWC Facility Lease

One-year lease for facilities with the authorizing district. Lease expense recognized for the year ended June 30, 2018 was \$72,754.

LLC15 Site Lease

15-year land lease, \$25,000 payable monthly during the year ended June 30, 2018. 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, 2018, total lease expense was \$370,500. In December 2017, the lease was terminated.

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 OPERATING LEASES (CONTINUED)

RFA facility lease

One-year lease for facilities with the authorizing district. Lease expense recognized for the year ended June 30, 2018 was \$40,110.

MLLC2-RTP Facility Lease

One year lease for facility starting March 2018. LDC paid for the pre-opening lease in the amount of \$4,108 from March 2018 to June 2018 then transferred the lease to RSED RTP. Lease expense recognized for the year ended June 30, 2018 was \$16,432.

NLLC2- RUA Facility Lease

29-year facility lease, \$53,908, plus additional rent items, payable monthly during the year ended June 30, 2018. 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, 2018 total lease expense of \$880,032 has been accrued and lease payments totaled \$826,775.

DLLC1-RISE Facility Lease

29-year facility lease, \$174,828, plus additional rent items, payable monthly during the year ended June 30, 2018. 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, 2018 total lease expense of \$2,726,285 has been accrued and lease payments totaled \$2,676,592.

DLLC2-RLP Facility Lease

29-year facility lease, \$174,828, plus additional rent items, payable monthly during the year ended June 30, 2018. 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, 2018 total lease expense of \$1,213,864 has been accrued.

LDC paid for a RLP parking lease from June to December 2017. Lease expense recognized for the year ended June 30, 2018 was \$10,500.

RPP Facility Lease

One-year facility lease, \$10,000 payable monthly during the year ended June 30, 2018. Lease expense recognized for the year ended June 30, 2018 was \$120,000.

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 OPERATING LEASES (CONTINUED)

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

June 30,	RSN	RFZ	RPS	LLC10	LLC11
2019	\$ 319,338	\$ 35,662	\$ 73,874	\$ 105,840	\$ 95,004
2020	175,654	36,197	76,104	105,840	95,004
2121	180,924	36,740	78,393	105,840	95,004
2022	186,352	37,291	80,624	111,132	95,004
2023	95,030	37,850	76,017	111,132	95,004
Thereafter	-	1,154,958	-	1,476,216	1,900,080
Total	<u>\$ 957,298</u>	<u>\$ 1,338,698</u>	<u>\$ 385,012</u>	<u>\$ 2,016,000</u>	<u>\$ 2,375,100</u>

June 30,	LLC12	DLLC1	DLLC2	NLLC2	RSEA Total
2019	\$ 316,800	\$ 2,047,832	\$ 1,918,053	\$ 646,893	\$ 5,559,296
2020	316,800	2,047,832	1,918,053	646,893	5,418,377
2121	316,800	2,047,832	1,918,053	660,647	5,440,233
2022	316,800	2,091,821	1,918,053	675,511	5,512,588
2023	316,800	2,138,887	1,961,209	681,114	5,513,043
Thereafter	10,479,126	64,818,142	59,556,835	18,705,503	158,090,860
Total	<u>\$ 12,063,126</u>	<u>\$ 75,192,346</u>	<u>\$ 69,190,256</u>	<u>\$ 22,016,561</u>	<u>\$ 185,534,397</u>

NOTE 9 EMPLOYEE RETIREMENT

State Teachers' Retirement System (STRS)

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

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

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

RSEA contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total plan net assets are \$210 billion, the total actuarial present value of accumulated plan benefits is \$362 billion, contributions from all employers totaled \$4.2 billion, and the plan is 62.6% 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, California 95826 and www.calstrs.com.

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.205% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for the year ended June 30, 2018 was 16.28% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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

<u>Year Ended June 30,</u>	STRS	
	Required Contribution	Percent Contributed
2016	\$ 1,420,048	100 %
2017	\$ 1,924,652	100 %
2018	\$ 2,229,425	100 %

Tennessee Consolidated Retirement System – Legacy Pension Plan

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

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 EMPLOYEE RETIREMENT (CONTINUED)

Tennessee Consolidated Retirement System – Legacy Pension Plan (Continued)

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. RSEA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the schools if the required employer contributions are not remitted. Employer contributions by RSEA for the year ended June 30, 2018 to the Teacher Legacy Pension Plan was 9.04% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. RSEA did not contribute more than 5% of the total contributions to the plan. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Tennessee Consolidated Retirement System – Teacher Retirement Plan

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

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5% of salary. RSEA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the school if the required employer contributions are not remitted. Employer contributions by RSEA for the year ended June 30, 2018 to the Teacher Retirement Plan were 4.00% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 EMPLOYEE RETIREMENT (CONTINUED)

Defined Contribution Plan

RSEA offers an Internal Revenue Code Section 403(b) retirement plan to each of its qualifying employees. RSEA matches the lessor of 3% of annual salary or \$2,500. During the year ended June 30, 2018 RSEA contributed \$458,331 to this plan.

NOTE 10 RELATED PARTY TRANSACTIONS

Facility Leases

In 2015, RMS amended and restated its existing lease with LLC1 into a 31-year facility lease through 2046. Due to an uneven payment schedule, lease expense is accrued on a straight-line basis over the life of the lease. Total lease expense of \$868,335 has been accrued. For school year 2017/18, lease payments under this agreement totaled \$1,016,140.

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 2017/18, lease payments under this agreement totaled \$1,033,731.

In 2017, RLS amended and restated its existing lease with LLC3 into a 35-year facility lease through 2052. Due to an uneven payment schedule, lease expense is accrued on a straight-line basis over the life of the lease. Total lease expense of \$1,095,777 has been accrued. For school year 2017/18, lease payments under this agreement totaled \$621,020.

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 \$932,818 has been accrued. For school year 2017/18, lease payments under this agreement totaled \$945,693.

In 2017, RDP amended and restated its existing lease with LLC5 into a 35-year facility lease through 2052. Due to an uneven payment schedule, lease expense is accrued on a straight-line basis over the life of the lease. Total lease expense of \$960,579 has been accrued. For school year 2017/18, lease payments under this agreement totaled \$509,140.

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 2017/18, lease payments under this agreement totaled \$1,130,841.

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 2017/18, lease payments under this agreement totaled \$724,520.

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)

Facility Leases (Continued)

In 2016, RSK entered into a 30-year facility lease agreement with LLC10 through 2046. Due to an uneven payment schedule, lease expense is accrued on a straight-line basis over the life of the lease. Total lease expense of \$875,394 has been accrued. For school year 2017/18, lease payments under this agreement totaled \$1,024,464.

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 2017/18, lease payments under this agreement totaled \$1,366,250.

In 2016, RRS entered into a 30-year facility lease agreement with LLC16 through 2046. 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 \$854,915 has been accrued. For school year 2017/18, lease payments under this agreement totaled \$1,014,847.

In 2017, RRWC entered into a 19-year facility lease agreement with LLC15 through 2036. Total lease revenue of \$398,317 has been accrued. For school year 2017/18, lease revenue under this agreement totaled \$211,686. On December 2017, the lease was terminated.

In February 2017, RSCP amended its original 10-year facility lease agreement with MLLC1. The new lease runs 35 years through 2052. Due to an uneven payment schedule, lease expense is accrued on a straight-line basis over the life of the lease. Following the purchase, the prior year accrued balance of \$112,241 was written down, resulting in a decrease in current lease expense. For the year ended June 30, 2018, lease expense under the original lease of \$276,036 has been recorded, inclusive of current year lease payments totaling \$388,277 and the \$112,241 credit from the prior year. Lease expense under the new lease totaled \$423,312 and lease payments totaled \$425,000.

In 2017, RNNE entered into a 35-year facility lease agreement with NLLC1 through 2052. 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 \$572,704 has been accrued. For school year 2017/18, lease payments under this agreement totaled \$575,000.

In 2016, RUA entered into a 29-year facility lease agreement with NLLC2 through 2044. 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 \$826,775 has been accrued. For school year 2017/16, lease payments under this agreement totaled \$646,893.

In 2016, RISE entered into a 29-year facility lease agreement with DLLC1 through 2045. 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, 2018 total lease expense of \$2,617,388 has been accrued and lease payments totaled \$2,097,931.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)

In 2017, RDL entered into a 25-year facility lease agreement with LLC18 through 2032. Lease commencement occurred in August 2018.

Future estimated payments under these leases as of June 30, 2018 are as follows:

<u>June 30,</u>	<u>RMS</u>	<u>RSSP</u>	<u>RLS</u>	<u>ROMO</u>	<u>RDP</u>	<u>RBM</u>
2019	\$ 1,008,461	\$ 1,038,839	\$ 692,773	\$ 947,108	\$ 591,203	\$ 1,124,587
2020	1,004,894	1,037,829	630,467	945,542	538,043	1,129,129
2021	1,005,461	1,031,890	627,634	946,063	535,599	1,128,415
2022	1,005,223	1,036,436	627,483	947,569	535,521	1,127,060
2023	1,007,628	1,040,018	624,201	947,800	533,570	1,130,462
Thereafter	18,997,664	20,894,500	21,550,273	17,673,015	18,413,437	22,825,806
Total	<u>\$ 24,029,331</u>	<u>\$ 26,079,512</u>	<u>\$ 24,752,831</u>	<u>\$ 22,407,097</u>	<u>\$ 21,147,373</u>	<u>\$ 28,465,459</u>

<u>June 30,</u>	<u>RSA</u>	<u>RSK</u>	<u>RFZ</u>	<u>RRS</u>	<u>RNNE</u>
2019	\$ 724,657	\$ 1,020,585	\$ 1,375,718	\$ 1,013,385	\$ 575,000
2020	724,946	1,013,722	1,375,032	1,005,092	575,000
2021	724,609	1,014,162	1,380,217	1,004,162	575,000
2022	723,645	1,013,542	1,379,039	1,003,542	575,000
2023	727,055	1,015,552	1,394,328	1,005,552	575,000
Thereafter	3,145,672	19,167,639	29,740,084	18,937,639	16,674,998
Total	<u>\$ 6,770,584</u>	<u>\$ 24,245,202</u>	<u>\$ 36,644,418</u>	<u>\$ 23,969,372</u>	<u>\$ 19,549,998</u>

<u>June 30,</u>	<u>RUA</u>	<u>RSCP</u>	<u>RISE</u>	<u>RLP</u>	<u>Total</u>
2019	\$ 646,893	\$ 425,000	\$ 2,097,931	\$ 2,148,519	\$ 15,430,659
2020	646,893	425,000	2,097,931	2,148,519	15,298,039
2021	660,647	425,000	2,145,134	2,148,519	15,352,512
2022	675,511	425,000	2,193,400	2,148,519	15,416,490
2023	690,710	425,000	2,242,751	2,148,519	15,508,146
Thereafter	18,695,862	12,324,998	64,365,100	68,909,827	372,316,514
Total	<u>\$ 22,016,516</u>	<u>\$ 14,449,998</u>	<u>\$ 75,142,247</u>	<u>\$ 79,652,422</u>	<u>\$ 449,322,360</u>

Rocketship Education Wisconsin Inc. Line of Credit from RSN

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

Rocketship Education fees charged to Rocketship Education D.C.

RSN charged RSDC \$79,474 and \$490,782 for start-up services in support of the region during years ended June 30, 2018 and 2017, respectively.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, development fees of \$150,000 were collected from LLC18.

Management Services

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

For the year ended June 30, 2018, management fees were as follows:

RMS	\$ 914,913
RSSP	778,634
RLS	905,539
ROMO	1,120,350
RDP	850,760
RBM	1,037,898
RSA	815,692
RSK	1,062,897
RRS	999,744
RFZ	1,082,970
RFA	419,322
RRWC	398,558
RNNE	720,048
RUA	863,152
RPP	85,078
Wisconsin Schools	708,504
D.C. Schools	1,368,278
Total	<u><u>\$ 14,132,337</u></u>

Donated Services

RSN provided certain organizational support services, including accounting, finance, and human resources, as well as shared office space to Launchpad (Donated Services) during the year. For the year ended June 30, 2018, the amount of Donated Services recorded from RSN to Launchpad was \$146,000.

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 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 12 SUBSEQUENT EVENT

At June 30, 2018 the operations of RPP in Nashville were consolidated into other Nashville schools RNNE and RUA. RPP will not operate in the 18/19 school year.

SUPPLEMENTARY INFORMATION

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2018**

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

California Charter Schools:

Rocketship Mateo Sheedy Elementary (RMS), chartered by the Santa Clara County Office of Education, Charter Number: 0850 – Established 2007, Expires 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 2021

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

Rocketship Brilliant Minds (RBM), chartered by the Santa Clara County Office of Education, Charter Number: 1393 – Established 2012, Expires 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 – Established 2015, Expires 2020

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

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

Rocketship Delta Prep (RDL), chartered by the Antioch Unified School District, Charter Number: 1965 – begins 18/19

Tennessee Charter Schools:

Rocketship Nashville Northeast Elementary (RNNE)

Rocketship United Academy (RUA)

Rocketship Partners Community Prep (RPP)

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

Rocketship Southside Community Prep (RSCP)

Rocketship Transformation Prep (RTP) – begins 18/19

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

Rocketship Rise Academy (RISE)

Rocketship Legacy Prep (RLP)

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2018**

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expires (2-Year Term)</u>
Fred Ferrer	President	2020
Louis Jordan	Treasurer	2019
Arra Yerganian	Secretary	2019
Alex Hernandez	Member	2019
Alex Terman	Member	2020
Deborah McGriff	Member	2019
Greg Stanger	Member	2020
Raymond Raven	Member	2019
Ralph Weber	Member	2019
Jolene Slotter	Member	2019
David Kaval	Member	2020
Don Shalvey	Member	2020
June Nwabara	Member	2020

ADMINISTRATION

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SCHOOLS
JUNE 30, 2018

ASSETS	RSN	California					RBM	Total Page 1
		RMS	RSSP	RLS	ROMO	RDP		
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 2,298,869	\$ 1,046,446	\$ 2,773,820	\$ 1,061,482	\$ 3,327,002	\$ 346,290	\$ 2,074,410	\$ 12,928,319
Restricted Cash	-	-	-	-	-	-	-	-
Accounts Receivable	606,242	519,504	613,957	713,921	648,219	1,266,582	905,454	5,273,879
Grants Receivable	-	-	-	-	-	-	-	-
Prepaid Expenses and Deposits	191,919	466,273	22,272	346,159	20,430	619,124	26,068	1,692,245
Total Current Assets	<u>3,097,030</u>	<u>2,032,223</u>	<u>3,410,049</u>	<u>2,121,562</u>	<u>3,995,651</u>	<u>2,231,996</u>	<u>3,005,932</u>	<u>19,894,443</u>
LONG-TERM ASSETS								
Grants Receivable	-	-	-	-	-	-	-	-
Intracompany Receivable	10,130,406	192,058	-	-	-	-	-	10,322,464
Security Deposits	29,295	-	-	100,000	100,000	100,000	-	329,295
Property, Plant, and Equipment, Net	331,130	1,179,661	833,204	844,643	624,661	534,926	91,901	4,440,126
Total Long-Term Assets	<u>10,490,831</u>	<u>1,371,719</u>	<u>833,204</u>	<u>944,643</u>	<u>724,661</u>	<u>634,926</u>	<u>91,901</u>	<u>15,091,885</u>
Total Assets	<u>\$ 13,587,861</u>	<u>\$ 3,403,942</u>	<u>\$ 4,243,253</u>	<u>\$ 3,066,205</u>	<u>\$ 4,720,312</u>	<u>\$ 2,866,922</u>	<u>\$ 3,097,833</u>	<u>\$ 34,986,328</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts Payable and Accrued Liabilities	\$ 2,258,365	\$ 269,033	\$ 241,047	\$ 242,920	\$ 365,591	\$ 319,951	\$ 334,451	\$ 4,031,358
Accrued Interest	85,119	-	-	-	-	-	-	85,119
Deferred Rent Liability	-	-	-	-	-	-	-	-
Deferred Revenue	-	110,731	177,835	35,302	208,786	247,199	122,519	902,372
Current Portion of Loans Payable	325,000	-	-	-	-	-	-	325,000
Total Current Liabilities	<u>2,668,484</u>	<u>379,764</u>	<u>418,882</u>	<u>278,222</u>	<u>574,377</u>	<u>567,150</u>	<u>456,970</u>	<u>5,343,849</u>
LONG-TERM LIABILITIES								
Accrued Interest	127,461	-	-	-	-	-	-	127,461
Deferred Rent Liability	-	30	273,964	-	573,863	-	866,862	1,714,719
Intracompany Payable	104	-	88,306	135,100	203,520	1,798,494	155,625	2,381,149
Loans Payable	750,000	-	-	-	-	-	-	750,000
Total Long-Term Liabilities	<u>877,565</u>	<u>30</u>	<u>362,270</u>	<u>135,100</u>	<u>777,383</u>	<u>1,798,494</u>	<u>1,022,487</u>	<u>4,973,329</u>
NET ASSETS								
Unrestricted	9,949,428	3,024,148	3,462,101	2,652,883	3,368,552	501,278	1,618,376	24,576,766
Temporarily Restricted	92,384	-	-	-	-	-	-	92,384
Total Net Assets	<u>10,041,812</u>	<u>3,024,148</u>	<u>3,462,101</u>	<u>2,652,883</u>	<u>3,368,552</u>	<u>501,278</u>	<u>1,618,376</u>	<u>24,669,150</u>
Total Liabilities and Net Assets	<u>\$ 13,587,861</u>	<u>\$ 3,403,942</u>	<u>\$ 4,243,253</u>	<u>\$ 3,066,205</u>	<u>\$ 4,720,312</u>	<u>\$ 2,866,922</u>	<u>\$ 3,097,833</u>	<u>\$ 34,986,328</u>

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SCHOOLS (CONTINUED)
JUNE 30, 2018

	From Page 1	California						Total Page 2
		RSA	RSK	RFZ	RRWC	RRS	RFA	
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 12,928,319	\$ 1,378,581	\$ 2,634,846	\$ 1,658,643	\$ 246,586	\$ 1,041,362	\$ 462,513	\$ 20,350,850
Restricted Cash	-	-	-	-	-	-	-	-
Accounts Receivable	5,273,879	1,080,155	278,768	694,963	369,690	532,230	582,403	8,812,088
Grants Receivable	-	-	-	-	-	-	-	-
Prepaid Expenses and Deposits	1,692,245	20,435	390,998	19,334	8,582	89,893	13,465	2,234,952
Total Current Assets	19,894,443	2,479,171	3,304,612	2,372,940	624,858	1,663,485	1,058,381	31,397,890
LONG-TERM ASSETS								
Grants Receivable	-	-	-	-	-	-	-	-
Intracompany Receivable	10,322,464	-	-	-	-	-	-	10,322,464
Security Deposits	329,295	100,000	-	-	-	-	-	429,295
Property, Plant, and Equipment, Net	4,440,126	389,636	160,495	50,952	16,328	9,188	(8,116)	5,058,609
Total Long-Term Assets	15,091,885	489,636	160,495	50,952	16,328	9,188	(8,116)	15,810,368
Total Assets	\$ 34,986,328	\$ 2,968,807	\$ 3,465,107	\$ 2,423,892	\$ 641,186	\$ 1,672,673	\$ 1,050,265	\$ 47,208,258
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts Payable	\$ 4,031,358	\$ 285,824	\$ 346,106	\$ 292,668	\$ 220,296	\$ 235,901	\$ 145,738	\$ 5,557,891
Accrued Interest	85,119	-	-	-	-	-	-	85,119
Deferred Rent Liability	-	-	-	-	-	-	-	-
Deferred Revenue	902,372	251,774	131,319	15,920	-	(181)	23,466	1,324,670
Current Portion of Loans Payable	325,000	-	-	-	41,668	62,500	62,500	491,668
Total Current Liabilities	5,343,849	537,598	477,425	308,588	261,964	298,220	231,704	7,459,348
LONG-TERM LIABILITIES								
Accrued Interest	127,461	-	-	3,844	3,055	2,522	2,522	139,404
Deferred Rent Liability	1,714,719	151,041	-	1,445,875	-	-	-	3,311,635
Intracompany Payable	2,381,149	100,785	119,690	107,956	475,000	135,547	583,967	3,904,094
Loans Payable	750,000	-	-	100,000	162,508	162,504	287,500	1,462,512
Total Long-Term Liabilities	4,973,329	251,826	119,690	1,657,675	640,563	300,573	873,989	8,817,645
NET ASSETS								
Unrestricted	24,576,766	2,179,383	2,867,992	457,629	(261,341)	1,073,880	(55,428)	30,838,881
Temporarily Restricted	92,384	-	-	-	-	-	-	92,384
Total Net Assets	24,669,150	2,179,383	2,867,992	457,629	(261,341)	1,073,880	(55,428)	30,931,265
Total Liabilities and Net Assets	\$ 34,986,328	\$ 2,968,807	\$ 3,465,107	\$ 2,423,892	\$ 641,186	\$ 1,672,673	\$ 1,050,265	\$ 47,208,258

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SCHOOLS (CONTINUED)
JUNE 30, 2018

ASSETS	From	Tennessee			Eliminations	RSED Total	Wisconsin	DC	Eliminations	Total
	Page 2	RNNE	RUA	RPP						
CURRENT ASSETS										
Cash and Cash Equivalents	\$ 20,350,850	\$ 117,510	\$ 772,324	\$ (396,568)	\$ -	\$ 20,844,116	\$ 883,567	\$ 2,453,937	\$ -	\$ 24,181,620
Restricted Cash	-	-	-	-	-	-	29,664	-	-	29,664
Accounts Receivable	8,812,088	(23,195)	445,090	1,573	-	9,235,556	3,667	-	-	9,239,223
Grants Receivable	-	-	-	-	-	-	533,532	870,751	-	1,404,283
Prepaid Expenses and Deposits	2,234,952	73,579	26,943	13,648	-	2,349,122	48,343	46,422	-	2,443,887
Total Current Assets	<u>31,397,890</u>	<u>167,894</u>	<u>1,244,357</u>	<u>(381,347)</u>	<u>-</u>	<u>32,428,794</u>	<u>1,498,773</u>	<u>3,371,110</u>	<u>-</u>	<u>37,298,677</u>
LONG-TERM ASSETS										
Grants Receivable	-	-	-	-	-	-	75,000	-	-	75,000
Intracompany Receivable	10,322,464	-	-	-	(5,372,826)	4,949,638	334	643,470	(5,593,442)	-
Security Deposits	429,295	-	-	-	-	429,295	5,000	1,500	-	435,795
Property, Plant, and Equipment, Net	5,058,609	19,332	12,567	60,007	-	5,150,515	20,219	-	-	5,170,734
Total Long-Term Assets	<u>15,810,368</u>	<u>19,332</u>	<u>12,567</u>	<u>60,007</u>	<u>(5,372,826)</u>	<u>10,529,448</u>	<u>100,553</u>	<u>644,970</u>	<u>(5,593,442)</u>	<u>5,681,529</u>
Total Assets	<u>\$ 47,208,258</u>	<u>\$ 187,226</u>	<u>\$ 1,256,924</u>	<u>\$ (321,340)</u>	<u>\$ (5,372,826)</u>	<u>\$ 42,958,242</u>	<u>\$ 1,599,326</u>	<u>\$ 4,016,080</u>	<u>\$ (5,593,442)</u>	<u>\$ 42,980,206</u>
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts Payable	\$ 5,557,891	\$ 269,600	\$ 321,503	\$ 145,357	\$ -	\$ 6,294,351	\$ 335,276	\$ 728,268	\$ -	\$ 7,357,895
Accrued Interest	85,119	-	-	-	-	85,119	-	-	-	85,119
Deferred Rent Liability	-	-	-	-	-	-	36,283	-	-	36,283
Deferred Revenue	1,324,670	-	-	-	-	1,324,670	-	-	-	1,324,670
Current Portion of Loans Payable	491,668	-	-	-	-	491,668	-	-	-	491,668
Total Current Liabilities	<u>7,459,348</u>	<u>269,600</u>	<u>321,503</u>	<u>145,357</u>	<u>-</u>	<u>8,195,808</u>	<u>371,559</u>	<u>728,268</u>	<u>-</u>	<u>9,295,635</u>
LONG-TERM LIABILITIES										
Accrued Interest	139,404	3,844	3,055	2,522	-	148,825	-	-	-	148,825
Deferred Rent Liability	3,311,635	2,296	520,419	-	-	3,834,350	21,092	2,302,877	-	6,158,319
Intracompany Payable	3,904,094	279,018	1,104,636	85,078	(5,372,826)	-	2,643,691	2,949,751	(5,593,442)	-
Loans Payable	1,462,512	100,000	100,000	100,000	-	1,762,512	-	-	-	1,762,512
Total Long-Term Liabilities	<u>8,817,645</u>	<u>385,158</u>	<u>1,728,110</u>	<u>187,600</u>	<u>(5,372,826)</u>	<u>5,745,687</u>	<u>2,664,783</u>	<u>5,252,628</u>	<u>(5,593,442)</u>	<u>8,069,656</u>
NET ASSETS										
Unrestricted	30,838,881	(467,532)	(792,689)	(654,297)	-	28,924,363	(2,066,762)	(2,229,816)	-	24,627,785
Temporarily Restricted	92,384	-	-	-	-	92,384	629,746	265,000	-	987,130
Total Net Assets	<u>30,931,265</u>	<u>(467,532)</u>	<u>(792,689)</u>	<u>(654,297)</u>	<u>-</u>	<u>29,016,747</u>	<u>(1,437,016)</u>	<u>(1,964,816)</u>	<u>-</u>	<u>25,614,915</u>
Total Liabilities and Net Assets	<u>\$ 47,208,258</u>	<u>\$ 187,226</u>	<u>\$ 1,256,924</u>	<u>\$ (321,340)</u>	<u>\$ (5,372,826)</u>	<u>\$ 42,958,242</u>	<u>\$ 1,599,326</u>	<u>\$ 4,016,080</u>	<u>\$ (5,593,442)</u>	<u>\$ 42,980,206</u>

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

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES – SCHOOLS
YEAR ENDED JUNE 30, 2018**

	RSN	California						Total Page 1
		RMS	RSSP	RLS	ROMO	RDP	RBM	
UNRESTRICTED NET ASSETS								
REVENUES								
LCFF State Aid	\$ -	\$ 1,072,636	\$ 2,825,171	\$ 4,546,620	\$ 3,547,548	\$ 4,060,171	\$ 5,424,756	\$ 21,476,902
Apportionment Revenue	-	-	-	-	-	-	-	-
Property Taxes	-	3,767,827	1,385,513	32,733	1,967,579	152,097	27,524	7,333,273
Other State Revenue	-	1,142,990	1,008,596	972,592	1,432,694	1,294,307	1,391,076	7,242,255
Federal Revenue	293,775	782,749	579,999	701,705	758,962	657,475	724,720	4,499,385
Other Local Revenue	15,330,180	8,973	2,652	162	344	-	3,300	15,345,611
Contributions	5,793,550	112,159	46,760	47,406	49,966	58,410	55,088	6,163,339
Amounts Released from Restriction	41,763	-	-	-	-	-	-	41,763
Total Unrestricted Revenues	21,459,268	6,887,334	5,848,691	6,301,218	7,757,093	6,222,460	7,626,464	62,102,528
EXPENSES								
Program Expenses:								
Educational Programs	1,279,807	5,456,788	5,040,303	5,230,885	6,196,606	5,445,354	6,264,227	34,913,970
Supporting Services:								
Site Supports and Program Development	12,441,682	-	-	-	-	-	-	12,441,682
Administration and General	7,023,529	914,913	778,634	905,539	1,120,350	850,760	1,037,898	12,631,623
Total Supporting Services	19,465,211	914,913	778,634	905,539	1,120,350	850,760	1,037,898	25,073,305
Total Expenses	20,745,018	6,371,701	5,818,937	6,136,424	7,316,956	6,296,114	7,302,125	59,987,275
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	714,250	515,633	29,754	164,794	440,137	(73,654)	324,339	2,115,253
TEMPORARILY RESTRICTED NET ASSETS								
Amounts Released from Restriction	(41,763)	-	-	-	-	-	-	(41,763)
Contributions	100,000	-	-	-	-	-	-	100,000
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	58,237	-	-	-	-	-	-	58,237
INCREASE (DECREASE) IN NET ASSETS	772,487	515,633	29,754	164,794	440,137	(73,654)	324,339	2,173,490
Net Assets - Beginning of Year	9,269,325	2,508,515	3,432,347	2,488,089	2,928,415	574,932	1,294,037	22,495,660
NET ASSETS - END OF YEAR	\$ 10,041,812	\$ 3,024,148	\$ 3,462,101	\$ 2,652,883	\$ 3,368,552	\$ 501,278	\$ 1,618,376	\$ 24,669,150

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

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES – SCHOOLS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	From Page 1	California						Total Page 2
		RSA	RSK	RFZ	RRWC	RRS	RFA	
UNRESTRICTED NET ASSETS								
REVENUES								
LCFF State Aid	\$ 21,476,902	\$ 4,133,985	\$ 3,404,567	\$ 3,953,833	\$ 1,415,912	\$ 3,486,135	\$ 1,367,567	\$ 39,238,901
Apportionment Revenue	-	-	-	-	-	-	-	-
Property Taxes	7,333,273	159,150	2,036,013	1,955,936	827,685	1,894,158	1,060,170	15,266,385
Other State Revenue	7,242,255	1,031,615	1,185,594	1,107,249	405,905	1,014,868	232,344	12,219,830
Federal Revenue	4,499,385	751,507	699,514	719,830	329,625	689,565	476,348	8,165,774
Other Local Revenue	15,345,611	-	2,699	5,139	921,405	5,156	13,922	16,293,932
Contributions	6,163,339	41,099	48,993	42,673	44,518	52,011	407,652	6,800,285
Amounts Released from Restriction	41,763	-	-	-	-	-	-	41,763
Total Unrestricted Revenues	62,102,528	6,117,356	7,377,380	7,784,660	3,945,050	7,141,893	3,558,003	98,026,870
EXPENSES								
Program Expenses:								
Educational Programs	34,913,970	5,336,437	5,674,696	6,175,565	2,992,471	5,332,932	2,651,731	63,077,802
Supporting Services:								
Site Supports and Program Development	12,441,682	-	-	-	-	-	-	12,441,682
Administration and General	12,631,623	815,692	1,062,897	1,082,970	398,558	999,744	419,322	17,410,806
Total Supporting Services	25,073,305	815,692	1,062,897	1,082,970	398,558	999,744	419,322	29,852,488
Total Expenses	59,987,275	6,152,129	6,737,593	7,258,535	3,391,029	6,332,676	3,071,053	92,930,290
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	2,115,253	(34,773)	639,787	526,125	554,021	809,217	486,950	5,096,580
TEMPORARILY RESTRICTED NET ASSETS								
Amounts Released from Restriction	(41,763)	-	-	-	-	-	-	(41,763)
Contributions	100,000	-	-	-	-	-	-	100,000
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	58,237	-	-	-	-	-	-	58,237
INCREASE (DECREASE) IN NET ASSETS	2,173,490	(34,773)	639,787	526,125	554,021	809,217	486,950	5,154,817
Net Assets - Beginning of Year	22,495,660	2,214,156	2,228,205	(68,496)	(815,362)	264,663	(542,378)	25,776,448
NET ASSETS - END OF YEAR	\$ 24,669,150	\$ 2,179,383	\$ 2,867,992	\$ 457,629	\$ (261,341)	\$ 1,073,880	\$ (55,428)	\$ 30,931,265

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES – SCHOOLS (CONTINUED)
YEAR ENDED JUNE 30, 2018

	From Page 2	Tennessee			Eliminations	RSED Total	Wisconsin	DC	Eliminations	Total
		RNNE	RUA	RPP						
UNRESTRICTED NET ASSETS										
REVENUES										
LCFF State Aid	\$ 39,238,901	\$ -	\$ -	\$ -	\$ -	\$ 39,238,901	\$ -	\$ -	\$ -	\$ 39,238,901
Apportionment Revenue	-	4,100,435	5,402,129	425,932	-	9,928,496	4,138,735	10,138,348	-	24,205,579
Property Taxes	15,266,385	-	-	-	-	15,266,385	-	-	-	15,266,385
Other State Revenue	12,219,830	-	-	13,553	-	12,233,383	73,416	2,210,386	-	14,517,185
Federal Revenue	8,165,774	566,570	664,405	673,459	-	10,070,208	1,065,681	1,815,858	-	12,951,747
Other Local Revenue	16,293,932	756,175	14,768	6,127	(12,055,555)	5,015,447	26,830	8,118	(2,076,782)	2,973,613
Contributions	6,800,285	4,474	-	100,000	-	6,904,759	131,854	970,245	-	8,006,858
Amounts Released from Restriction	41,763	-	-	-	-	41,763	32,550	596,325	-	670,638
Total Unrestricted Revenues	98,026,870	5,427,654	6,081,302	1,219,071	(12,055,555)	98,699,342	5,469,066	15,739,280	(2,076,782)	117,830,906
EXPENSES										
Program Expenses:										
Educational Programs	63,077,802	4,862,156	5,310,185	1,655,084	-	74,905,227	4,878,229	13,854,536	-	93,637,992
Supporting Services:										
Site Supports and Program Development	12,441,682	-	-	-	-	12,441,682	-	-	-	12,441,682
Administration and General	17,410,806	720,048	863,152	85,078	(12,055,555)	7,023,529	782,730	2,083,443	(2,076,782)	7,812,920
Total Supporting Services	29,852,488	720,048	863,152	85,078	(12,055,555)	19,465,211	782,730	2,083,443	(2,076,782)	20,254,602
Total Expenses	92,930,290	5,582,204	6,173,337	1,740,162	(12,055,555)	94,370,438	5,660,959	15,937,979	(2,076,782)	113,892,594
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	5,096,580	(154,550)	(92,035)	(521,091)	-	4,328,904	(191,893)	(198,699)	-	3,938,312
TEMPORARILY RESTRICTED NET ASSETS										
Amounts Released from Restriction	(41,763)	-	-	-	-	(41,763)	(32,550)	(596,325)	-	(670,638)
Contributions	100,000	-	-	-	-	100,000	347,296	165,000	-	612,296
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	58,237	-	-	-	-	58,237	314,746	(431,325)	-	(58,342)
INCREASE (DECREASE) IN NET ASSETS	5,154,817	(154,550)	(92,035)	(521,091)	-	4,387,141	122,853	(630,024)	-	3,879,970
Net Assets - Beginning of Year	25,776,448	(312,982)	(700,654)	(133,206)	-	24,629,606	(1,559,869)	(1,334,792)	-	21,734,945
NET ASSETS - END OF YEAR	<u>\$ 30,931,265</u>	<u>\$ (467,532)</u>	<u>\$ (792,689)</u>	<u>\$ (654,297)</u>	<u>\$ -</u>	<u>\$ 29,016,747</u>	<u>\$ (1,437,016)</u>	<u>\$ (1,964,816)</u>	<u>\$ -</u>	<u>\$ 25,614,915</u>

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS – SCHOOLS
YEAR ENDED JUNE 30, 2018

	California							Total Page 1
	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in Net Assets	\$ 772,487	\$ 515,633	\$ 29,754	\$ 164,794	\$ 440,137	\$ (73,654)	\$ 324,339	\$ 2,173,490
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:								
Depreciation	130,739	39,396	28,792	28,214	20,568	19,212	5,962	272,883
(Increase) Decrease in Operating Assets:								
Accounts Receivable	(605,567)	(118,693)	(90,709)	(86,901)	(130,392)	(341,732)	(33,451)	(1,407,445)
Grants Receivable	52,944	-	-	-	-	-	-	52,944
Prepaid Expenses and Deposits	131,129	(68,896)	6,428	(325,471)	(442)	(476,123)	(4,100)	(737,475)
Increase (Decrease) in Operating Liabilities:								
Accounts Payable and Accrued Liabilities	432,577	12,201	41,536	38,012	80,127	134,024	110,016	848,493
Deferred Revenue	-	-	(1,963)	(1,975)	88,212	91,185	88,835	264,294
Deferred Rent Liability	-	30	84,653	(1,062)	75,104	-	67,113	225,838
Net Cash Flows from Operating Activities	<u>914,309</u>	<u>379,671</u>	<u>98,491</u>	<u>(184,389)</u>	<u>573,314</u>	<u>(647,088)</u>	<u>558,714</u>	<u>1,693,022</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of Property, Plant, and Equipment	-	-	(5,409)	-	(70,706)	(78,285)	-	(154,400)
Net Cash Flows from Investing Activities	<u>-</u>	<u>-</u>	<u>(5,409)</u>	<u>-</u>	<u>(70,706)</u>	<u>(78,285)</u>	<u>-</u>	<u>(154,400)</u>
CASH FLOWS FROM FINANCING ACTIVITIES								
Intracompany Loans	(936,966)	(192,058)	99,948	135,100	203,520	459,792	155,625	(75,039)
Proceeds from Debt	200,000	-	-	-	-	-	-	200,000
Repayment of Debt	(1,300,000)	-	-	-	-	-	-	(1,300,000)
Net Cash Flows from Financing Activities	<u>(2,036,966)</u>	<u>(192,058)</u>	<u>99,948</u>	<u>135,100</u>	<u>203,520</u>	<u>459,792</u>	<u>155,625</u>	<u>(1,175,039)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,122,657)	187,613	193,030	(49,289)	706,128	(265,581)	714,339	363,583
Cash and Cash Equivalents - Beginning of Year	<u>3,421,526</u>	<u>858,833</u>	<u>2,580,790</u>	<u>1,110,771</u>	<u>2,620,874</u>	<u>611,871</u>	<u>1,360,071</u>	<u>12,564,736</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,298,869</u>	<u>\$ 1,046,446</u>	<u>\$ 2,773,820</u>	<u>\$ 1,061,482</u>	<u>\$ 3,327,002</u>	<u>\$ 346,290</u>	<u>\$ 2,074,410</u>	<u>\$ 12,928,319</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION								
Cash Paid for Interest	<u>\$ 11,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,611</u>

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS – SCHOOLS (CONTINUED)
YEAR ENDED JUNE 30, 2018

	From Page 1	California						Total Page 2
		RSA	RSK	RFZ	RRWC	RRS	RFA	
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in Net Assets	\$ 2,173,490	\$ (34,773)	\$ 639,787	\$ 526,125	\$ 554,021	\$ 809,217	\$ 486,950	\$ 5,154,817
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:								
Depreciation	272,883	19,238	8,000	4,282	7,838	2,980	17,658	332,879
(Increase) Decrease in Operating Assets:								
Accounts Receivable	(1,407,445)	74,858	206,612	40,867	146,642	25,778	(426,217)	(1,338,905)
Grants Receivable	52,944	-	-	-	-	-	-	52,944
Prepaid Expenses and Deposits	(737,475)	12,546	(68,242)	8,448	24,669	(52,759)	11,304	(801,509)
Increase (Decrease) in Operating Liabilities:								
Accounts Payable and Accrued Liabilities	848,493	(15,446)	21,929	(43,936)	(46,849)	(9,960)	(82,792)	671,439
Deferred Revenue	264,294	212,366	131,319	-	-	(181)	23,466	631,264
Deferred Rent Liability	225,838	61,835	(1)	151,729	(66,660)	(32,289)	-	340,452
Net Cash Flows from Operating Activities	1,693,022	330,624	939,404	687,515	619,661	742,786	30,369	5,043,381
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of Property, Plant, and Equipment	(154,400)	-	-	-	-	-	(8,071)	(162,471)
Net Cash Flows from Investing Activities	(154,400)	-	-	-	-	-	(8,071)	(162,471)
CASH FLOWS FROM FINANCING ACTIVITIES								
Intracompany Loans	(75,039)	100,785	119,690	107,956	(494,533)	135,547	219,322	113,728
Proceeds from Debt	200,000	-	-	-	-	-	-	200,000
Repayment of Debt	(1,300,000)	-	(62,512)	(62,512)	(83,328)	(124,996)	-	(1,633,348)
Net Cash Flows from Financing Activities	(1,175,039)	100,785	57,178	45,444	(577,861)	10,551	219,322	(1,319,620)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	363,583	431,409	996,582	732,959	41,800	753,337	241,620	3,561,290
Cash and Cash Equivalents - Beginning of Year	12,564,736	947,172	1,638,264	925,684	204,786	288,025	220,893	16,789,560
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,928,319</u>	<u>\$ 1,378,581</u>	<u>\$ 2,634,846</u>	<u>\$ 1,658,643</u>	<u>\$ 246,586</u>	<u>\$ 1,041,362</u>	<u>\$ 462,513</u>	<u>\$ 20,350,850</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION								
Cash Paid for Interest	\$ 11,611	\$ -	\$ 117	\$ 105	\$ 658	\$ 2,292	\$ -	\$ 14,783

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS – SCHOOLS (CONTINUED)
YEAR ENDED JUNE 30, 2018

	From Page 2	Tennessee			RSED Total	Wisconsin	D.C.	Total
		RNNE	RUA	RPP				
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in Net Assets	\$ 5,154,817	\$ (154,550)	\$ (92,035)	\$ (521,091)	\$ 4,387,141	\$ 122,853	\$ (630,024)	\$ 3,879,970
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:								
Depreciation	332,879	2,939	3,153	-	338,971	36	-	339,007
(Increase) Decrease in Operating Assets:								
Accounts Receivable	(1,338,905)	256,085	(355,780)	(1,573)	(1,440,173)	355,823	31,411	(1,052,939)
Grants Receivable	52,944	-	-	-	52,944	(608,532)	(351,129)	(906,717)
Prepaid Expenses and Deposits	(801,509)	(27,138)	24,091	121,245	(683,311)	(22,771)	33,950	(672,132)
Increase (Decrease) in Operating Liabilities:								
Accounts Payable and Accrued Liabilities	671,439	(4,251)	54,008	(61,608)	659,588	139,645	1,212,642	2,011,875
Deferred Revenue	631,264	-	-	(100,000)	531,264	-	(29,942)	501,322
Deferred Rent Liability	340,452	(31,373)	179,882	-	488,961	32,861	1,665,012	2,186,834
Net Cash Flows from Operating Activities	5,043,381	41,712	(186,681)	(563,027)	4,335,385	19,915	1,931,920	6,287,220
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of Property, Plant, and Equipment	(162,471)	(5,125)	-	(35,102)	(202,698)	(20,255)	-	(222,953)
Net Cash Flows from Investing Activities	(162,471)	(5,125)	-	(35,102)	(202,698)	(20,255)	-	(222,953)
CASH FLOWS FROM FINANCING ACTIVITIES								
Intracompany Loans	113,728	(320,982)	504,636	85,078	382,460	365,846	(1,498,306)	(750,000)
Proceeds from Debt	200,000	-	-	-	200,000	-	-	200,000
Repayment of Debt	(1,633,348)	-	-	-	(1,633,348)	-	-	(1,633,348)
Net Cash Flows from Financing Activities	(1,319,620)	(320,982)	504,636	85,078	(1,050,888)	365,846	(1,498,306)	(2,183,348)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,561,290	(284,395)	317,955	(513,051)	3,081,799	365,506	433,614	3,880,919
Cash and Cash Equivalents - Beginning of Year	16,789,560	401,905	454,369	116,483	17,762,317	547,725	2,020,323	20,330,365
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 20,350,850</u>	<u>\$ 117,510</u>	<u>\$ 772,324</u>	<u>\$ (396,568)</u>	<u>\$ 20,844,116</u>	<u>\$ 913,231</u>	<u>\$ 2,453,937</u>	<u>\$ 24,211,284</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION								
Cash Paid for Interest	\$ 14,783	\$ -	\$ -	\$ -	\$ 14,783	\$ -	\$ -	\$ 14,783

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

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF INSTRUCTIONAL MINUTES)
YEAR ENDED JUNE 30, 2018**

	2017-18 Minutes		Traditional Days	Status
	Requirement	Actual		
Kindergarten/Transitional Kindergarten				
RMS	36,000	55,145	178	In compliance
RSSP	36,000	63,240	180	In compliance
RLS	36,000	59,055	180	In compliance
ROMO	36,000	58,485	180	In compliance
RDP	36,000	66,825	180	In compliance
RBM	36,000	53,850	180	In compliance
RSA	36,000	63,225	180	In compliance
RSK	36,000	26,570	180	Not In compliance
RFZ	36,000	61,200	180	In compliance
RRWC	36,000	55,710	180	In compliance
RFA	36,000	54,840	180	In compliance
RRS	36,000	61,350	180	In compliance
Grade 1:				
RMS	50,400	55,080	178	In compliance
RSSP	50,400	64,545	180	In compliance
RLS	50,400	55,620	180	In compliance
ROMO	50,400	56,190	180	In compliance
RDP	50,400	56,520	180	In compliance
RBM	50,400	54,150	180	In compliance
RSA	50,400	60,030	180	In compliance
RSK	50,400	56,115	180	In compliance
RFZ	50,400	55,860	180	In compliance
RRWC	50,400	54,480	180	In compliance
RFA	50,400	54,840	180	In compliance
RRS	50,400	57,750	180	In compliance
Grade 2:				
RMS	50,400	54,915	178	In compliance
RSSP	50,400	70,425	180	In compliance
RLS	50,400	55,620	180	In compliance
ROMO	50,400	55,050	180	In compliance
RDP	50,400	59,460	180	In compliance
RBM	50,400	55,455	180	In compliance
RSA	50,400	61,665	180	In compliance
RSK	50,400	57,345	180	In compliance
RFZ	50,400	55,860	180	In compliance
RRWC	50,400	54,480	180	In compliance
RFA	50,400	54,840	180	In compliance
RRS	50,400	57,750	180	In compliance

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

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF INSTRUCTIONAL MINUTES – CALIFORNIA (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	2017-18 Minutes		Traditional Days	Status
	Requirement	Actual		
Grade 3:				
RMS	50,400	55,080	178	In compliance
RSSP	50,400	70,755	180	In compliance
RLS	50,400	55,620	180	In compliance
ROMO	50,400	55,050	180	In compliance
RDP	50,400	56,520	180	In compliance
RBM	50,400	57,015	180	In compliance
RSA	50,400	45,415	180	Not In compliance
RSK	50,400	33,890	180	Not In compliance
RFZ	50,400	56,520	180	In compliance
RRWC	50,400	55,950	180	In compliance
RFA	50,400	51,510	180	In compliance
RRS	50,400	58,485	180	In compliance
Grade 4:				
RMS	54,000	58,145	178	In compliance
RSSP	54,000	70,755	180	In compliance
RLS	54,000	55,620	180	In compliance
ROMO	54,000	58,320	180	In compliance
RDP	54,000	56,520	180	In compliance
RBM	54,000	57,015	180	In compliance
RSA	54,000	60,525	180	In compliance
RSK	54,000	58,815	180	In compliance
RFZ	54,000	56,520	180	In compliance
RRWC	54,000	37,230	180	Not In Compliance
RRS	54,000	60,855	180	In compliance
Grade 5:				
RMS	54,000	58,145	178	In compliance
RSSP	54,000	70,755	180	In compliance
RLS	54,000	55,620	180	In compliance
ROMO	54,000	58,320	180	In compliance
RDP	54,000	56,520	180	In compliance
RBM	54,000	57,585	180	In compliance
RSA	54,000	61,830	180	In compliance
RSK	54,000	62,190	180	In compliance
RFZ	54,000	56,850	180	In compliance
RRWC	54,000	55,950	180	In compliance

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF AVERAGE DAILY ATTENDANCE – CALIFORNIA
YEAR ENDED JUNE 30, 2018**

	Second		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades TK/K-3:				
RMS	370.13	370.80	368.66	369.93
RSSP	306.71	306.93	305.68	305.84
RLS	340.22	340.44	337.36	337.51
ROMO	412.32	414.55	411.77	413.59
RDP	351.87	352.34	349.86	350.43
RBM	393.88	394.32	390.96	391.44
RSA	322.17	323.20	322.34	323.08
RSK	434.74	437.09	433.63	437.88
RFZ	452.45	453.90	452.77	453.82
RRWC	172.62	172.84	172.36	172.63
RRS	473.38	473.38	471.17	471.39
RFA	268.30	269.76	274.33	274.78
Subtotal	<u>4,298.79</u>	<u>4,309.55</u>	<u>4,290.89</u>	<u>4,302.32</u>
Grades 4-6:				
RMS	172.56	173.69	172.94	173.78
RSSP	108.92	109.12	108.11	108.25
RLS	112.22	112.22	110.81	110.83
ROMO	137.25	137.77	137.30	137.62
RDP	120.91	120.91	120.88	120.93
RBM	145.82	145.86	144.46	144.51
RSA	165.95	166.18	164.48	164.64
RSK	133.84	134.44	132.52	133.26
RFZ	133.05	133.44	132.54	132.83
RRWC	82.45	82.65	81.23	81.37
RRS	58.33	58.33	58.57	58.57
Subtotal	<u>1,371.30</u>	<u>1,374.61</u>	<u>1,363.84</u>	<u>1,366.59</u>
Grand Total	<u><u>5,670.09</u></u>	<u><u>5,684.16</u></u>	<u><u>5,654.73</u></u>	<u><u>5,668.91</u></u>

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	RMS	RSSP	RLS	ROMO	RDP	RBM
June 30, 2018 Annual Financial Report Fund Balances (Net Assets)	\$ 2,871,770	\$ 3,373,863	\$ 2,621,374	\$ 3,560,151	\$ 923,707	\$ 1,501,868
Increase (Decrease) of Fund Balance (Net Assets):						
Cash and cash equivalents	48,774	(34,063)	(16,806)	(64,329)	(23,707)	(27,857)
Accounts receivable	86,881	147,560	51,759	(134,397)	567,703	347,657
Prepaid expenses and deposits	437,996	(3,999)	323,298	-	600,499	(5,000)
Intracompany receivable	192,058	-	-	-	-	-
Property, plant & equipment, net	(299,496)	13,092	(28,214)	29,799	25,683	26,403
Accounts payable	133,161	55,906	(75,153)	123,017	(34,218)	(42,669)
Deferred revenue	-	-	-	70,706	59,551	-
Deferred rent liability	(446,996)	(1,952)	(88,275)	(12,875)	180,554	(26,401)
Intracompany payable	-	(88,306)	(135,100)	(203,520)	(1,798,494)	(155,625)
Net Adjustments and Reclassifications	152,378	88,238	31,509	(191,599)	(422,429)	116,508

June 30, 2018 Audited Financial Statement Fund Balances (Net Assets)	\$ 3,024,148	\$ 3,462,101	\$ 2,652,883	\$ 3,368,552	\$ 501,278	\$ 1,618,376
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	RSA	RSK	RFZ	RRWC*	RRS	RFA*
June 30, 2018 Annual Financial Report Fund Balances (Net Assets)	\$ 2,293,918	\$ 3,077,361	\$ 324,015	\$ 198,956	\$ 886,756	\$ (575,392)
Increase (Decrease) of Fund Balance (Net Assets):						
Cash and cash equivalents	4,552	(72,398)	(29,825)	74,240	(85,693)	105,186
Accounts receivable	(33,304)	(132,100)	193,983	76,613	128,987	318,224
Prepaid expenses and deposits	(4,544)	362,089	(4,000)	(4,297)	67,666	(4,125)
Property, plant & equipment, net	22,918	232	1	16,328	-	(8,116)
Accounts payable	5,374	118,587	81,411	(248)	149,029	492,761
Deferred revenue	-	-	-	-	181	529,056
Current portion of loans payable	-	-	-	(41,668)	-	(62,500)
Accrued interest	-	-	(3,844)	(3,055)	(2,522)	(2,522)
Deferred rent liability	(8,746)	(366,089)	103,844	-	-	-
Intracompany payable	(100,785)	(119,690)	(107,956)	(475,000)	(135,547)	(583,967)
Loans payable	-	-	(100,000)	(103,210)	65,023	(264,033)
Net Adjustments and Reclassifications	(114,535)	(209,369)	133,614	(460,297)	187,124	519,964

June 30, 2018 Audited Financial Statement Fund Balances (Net Assets)	\$ 2,179,383	\$ 2,867,992	\$ 457,629	\$ (261,341)	\$ 1,073,880	\$ (55,428)
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*RRWC and RFA reported their unaudited actuals on the modified accrual basis of accounting and some of the variances shown are a result of the audited consolidated financial statements presented on the accrual basis of accounting.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	RSA	Total Page
U.S. Department of Education											
Pass Through Program From:											
California Department of Education											
Title I, Part A, Basic Grants											
Low-Income and Neglected											
84.010	14329		\$ -	\$ 248,620	\$ 157,962	\$ 222,906	\$ 223,376	\$ 198,373	\$ 232,491	\$ 221,474	\$ 1,505,202
Metro Nashville Public Schools											
Title I, Part A, Basic Grants											
Low-Income and Neglected											
84.010	N/A		-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction											
Title I, Part A, Basic Grants											
Low-Income and Neglected											
84.010	N/A		-	-	-	-	-	-	-	-	-
DC State Board of Education											
Title I, Part A, Basic Grants											
Low-Income and Neglected											
84.010	N/A		-	-	-	-	-	-	-	-	-
Title I, Part A, Basic Grants											
<i>Low-Income and Neglected Totals</i>											
			-	248,620	157,962	222,906	223,376	198,373	232,491	221,474	1,505,202
Pass Through Program From:											
California Department of Education											
Title II											
84.367	14341		-	28,589	24,599	23,938	26,378	21,845	26,972	24,295	176,616
Metro Nashville Public Schools											
Title II											
84.367	N/A		-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction											
Title II											
84.367	N/A		-	-	-	-	-	-	-	-	-
DC State Board of Education											
Title II											
84.367	N/A		-	-	-	-	-	-	-	-	-
Title II Totals											
			-	28,589	24,599	23,938	26,378	21,845	26,972	24,295	176,616

N/A – Not Available

ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	Total Previous Page	RSK	RFZ	RRWC	RRS	RFA	Tennessee	Wisconsin	DC	Federal Expenditures
U.S. Department of Education												
Pass Through Program From:												
California Department of Education												
Title I, Part A, Basic Grants												
Low-Income and Neglected												
	84.010	14329	\$ 1,505,202	\$ 191,526	\$ 196,936	\$ 94,289	\$ 143,898	\$ 104,269	\$ -	\$ -	\$ -	\$ 2,236,120
Metro Nashville Public Schools												
Title I, Part A, Basic Grants												
Low-Income and Neglected												
	84.010	N/A	-	-	-	-	-	-	379,359	-	-	379,359
Wisconsin Department of Public Instruction												
Title I, Part A, Basic Grants												
Low-Income and Neglected												
	84.010	N/A	-	-	-	-	-	-	-	268,533	-	268,533
DC State Board of Education												
Title I, Part A, Basic Grants												
Low-Income and Neglected												
	84.010	N/A	-	-	-	-	-	-	-	-	464,463	464,463
Low-Income and Neglected Totals												
			1,505,202	191,526	196,936	94,289	143,898	104,269	379,359	268,533	464,463	3,348,475
Pass Through Program From:												
California Department of Education												
Title II												
	84.367	14341	176,616	24,143	24,780	12,355	17,623	14,269	-	-	-	269,786
Metro Nashville Public Schools												
Title II												
	84.367	N/A	-	-	-	-	-	-	23,327	-	-	23,327
Wisconsin Department of Public Instruction												
Title II												
	84.367	N/A	-	-	-	-	-	-	-	31,399	-	31,399
DC State Board of Education												
Title II												
	84.367	N/A	-	-	-	-	-	-	-	-	97,908	97,908
Title II Totals												
			176,616	24,143	24,780	12,355	17,623	14,269	23,327	31,399	97,908	422,420

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	RSN	RMS	RSP	RLS	ROMO	RDP	RBM	RSA	Total Page
Pass Through Program From:											
California Department of Education											
Title III - Immigrant Education Program	84.365	15146	\$ -	\$ 892	\$ -	\$ -	\$ -	\$ 555	\$ -	\$ -	\$ 1,447
Title III - Limited English Proficiency	84.365	14356	-	30,784	21,766	26,534	29,618	28,711	35,241	26,534	199,188
Wisconsin Department of Public Instruction											
Title III	84.365	N/A	-	-	-	-	-	-	-	-	-
Title III Totals			-	31,676	21,766	26,534	29,618	29,266	35,241	26,534	200,635
Pass Through Program From:											
U.S. Department of Education											
DC State Board of Education											
Title IV	84.027A	N/A	-	-	-	-	-	-	-	-	-
Title IV Totals			-	-	-	-	-	-	-	-	-
Pass Through Program From:											
U.S. Department of Education											
Charter School Program Cluster	84.282M	N/A	293,775	-	-	-	-	-	-	-	293,775
			293,775	-	-	-	-	-	-	-	293,775
Pass Through Program From:											
U.S. Department of Education											
Special Education IDEA											
	84.027	13379	-	76,387	65,659	64,366	75,353	62,298	78,455	105,116	527,634
Metro Nashville Public Schools											
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction											
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	-	-
DC State Board of Education											
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	-	-
Special Education IDEA Totals			-	76,387	65,659	64,366	75,353	62,298	78,455	105,116	527,634
Pass Through Program From:											
Wisconsin Department of Public Instruction											
Special Education IDEA Preschool	84.173	N/A	-	-	-	-	-	-	-	-	-
DC State Board of Education											
Special Education IDEA Preschool	84.173	N/A	-	-	-	-	-	-	-	-	-
Special Education IDEA Preschool Totals			-	-	-	-	-	-	-	-	-
Special Education Cluster			-	76,387	65,659	64,366	75,353	62,298	78,455	105,116	527,634
Total U.S Department of Education			293,775	385,272	269,986	337,744	354,725	311,782	373,159	377,419	2,703,862

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	Total Previous Page	RSK	RFZ	RRWC	RRS	RFA	Tennessee	Wisconsin	DC	Federal Expenditures
Pass Through Program From:												
California Department of Education												
Title III - Immigrant Education Program	84.365	15146	\$ 1,447	\$ 555	\$ -	\$ -	\$ 675	\$ -	\$ -	\$ -	\$ -	\$ 2,677
Title III - Limited English Proficiency	84.365	14356	199,188	28,504	25,264	21,559	27,882	18,346	-	-	-	320,743
Wisconsin Department of Public Instruction												
Title III	84.365	N/A	-	-	-	-	-	-	-	44,410	-	44,410
Title III Totals			200,635	29,059	25,264	21,559	28,557	18,346	-	44,410	-	367,830
Pass Through Program From:												
U.S. Department of Education												
DC State Board of Education												
Title IV	84.027A		-	-	-	-	-	-	-	10,000	10,000	20,000
Title IV Totals			-	-	-	-	-	-	-	10,000	10,000	20,000
Pass Through Program From:												
U.S. Department of Education												
Charter School Program Cluster	84.282M	N/A	293,775	-	-	-	108,470	160,502	655,825	124,945	803,107	2,146,624
			293,775	-	-	-	108,470	160,502	655,825	124,945	803,107	2,146,624
Pass Through Program From:												
U.S. Department of Education												
Special Education IDEA	84.027	13379	527,634	76,387	80,393	37,353	60,101	16,027	-	-	-	797,895
Metro Nashville Public Schools												
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	134,607	-	-	134,607
Wisconsin Department of Public Instruction												
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	96,458	-	96,458
DC State Board of Education												
Special Education IDEA	84.027	N/A	-	-	-	-	-	-	-	-	124,754	124,754
Special Education IDEA Totals			527,634	76,387	80,393	37,353	60,101	16,027	134,607	96,458	124,754	1,153,714
Pass Through Program From:												
Wisconsin Department of Public Instruction												
Special Education IDEA Preschool	84.173	N/A	-	-	-	-	-	-	-	11,638	-	11,638
DC State Board of Education												
Special Education IDEA Preschool	84.173	N/A	-	-	-	-	-	-	-	-	4,078	4,078
Special Education IDEA Preschool Totals			-	-	-	-	-	-	-	11,638	4,078	15,716
Special Education Cluster												
			527,634	76,387	80,393	37,353	60,101	16,027	134,607	108,096	128,832	1,169,430
Total U.S Department of Education			2,703,862	321,115	327,373	165,556	358,649	313,413	1,193,118	587,383	1,504,310	7,474,779

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

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	RSA	Total Page
U.S. Department of Agriculture:											
Pass Through Program From											
California Department of Education											
National School Lunch Program	10.555	N/A	\$ -	\$ 198,817	\$ 154,286	\$ 194,504	\$ 209,338	\$ 173,642	\$ 174,179	\$ 199,982	\$ 1,304,748
Metro Nashville Public Schools											
National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction											
National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	-
DC State Board of Education											
National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	-
National School Lunch Program Totals			-	198,817	154,286	194,504	209,338	173,642	174,179	199,982	1,304,748
California Department of Education											
School Breakfast Program	10.553	N/A	-	168,285	129,341	140,436	164,097	147,944	146,366	144,800	1,041,269
NSLP Commodities	10.553	N/A	-	27,634	23,645	26,280	28,061	21,366	28,275	26,565	181,826
Metro Nashville Public Schools											
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	-
Wisconsin Department of Public Instruction											
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	-
Donated Commodities - Noncash	10.555	N/A	-	-	-	-	-	-	-	-	-
DC State Board of Education											
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	-
School Breakfast Program and Commodities Totals			-	195,919	152,986	166,716	192,158	169,310	174,641	171,365	1,223,095
Child Nutrition Cluster			-	394,736	307,272	361,220	401,496	342,952	348,820	371,347	2,527,843
Total U.S. Department of Agriculture:			-	394,736	307,272	361,220	401,496	342,952	348,820	371,347	2,527,843
U.S. Department of Health and Human Services:											
Pass Through Program From											
California Department of Education:											
Medicaid	93.778	N/A	-	2,741	2,741	2,741	2,741	2,741	2,741	2,741	19,187
Pass Through Program From											
Wisconsin Department of Health Services:											
Medical Assistance Program	93.778	N/A	-	-	-	-	-	-	-	-	-
Total U.S. Department of Health and Human Services			-	2,741	2,741	2,741	2,741	2,741	2,741	2,741	19,187
Total Federal Expenditures			\$ 293,775	\$ 782,749	\$ 579,999	\$ 701,705	\$ 758,962	\$ 657,475	\$ 724,720	\$ 751,507	\$ 5,250,892

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	PTID	Total Previous Page	RSK	RFZ	RRWC	RRS	RFA	Tennessee	Wisconsin	DC	Federal Expenditures
U.S. Department of Agriculture:												
Pass Through Program From												
California Department of Education												
National School Lunch Program	10.555	N/A	\$ 1,304,748	\$ 192,679	\$ 207,202	\$ 74,856	\$ 199,433	\$ 99,280	\$ -	\$ -	\$ -	\$ 2,078,198
Metro Nashville Public Schools												
National School Lunch Program	10.555	N/A	-	-	-	-	-	-	412,637	-	-	412,637
Wisconsin Department of Public Instruction												
National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	276,173	-	276,173
DC State Board of Education												
National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	201,541	201,541
National School Lunch Program Totals			<u>1,304,748</u>	<u>192,679</u>	<u>207,202</u>	<u>74,856</u>	<u>199,433</u>	<u>99,280</u>	<u>412,637</u>	<u>276,173</u>	<u>201,541</u>	<u>2,968,549</u>
California Department of Education												
School Breakfast Program	10.553	N/A	1,041,269	152,283	153,955	75,425	107,020	56,633	-	-	-	1,586,585
NSLP Commodities												
	10.553	N/A	181,826	30,696	28,559	12,392	21,722	5,626	-	-	-	280,821
Metro Nashville Public Schools												
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	298,679	-	-	298,679
Wisconsin Department of Public Instruction												
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	173,978	-	173,978
Donated Commodities - Noncash												
	10.553	N/A	-	-	-	-	-	-	-	21,647	-	21,647
DC State Board of Education												
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	110,007	110,007
School Breakfast Program and Commodities Totals			<u>1,223,095</u>	<u>182,979</u>	<u>182,514</u>	<u>87,817</u>	<u>128,742</u>	<u>62,259</u>	<u>298,679</u>	<u>195,625</u>	<u>110,007</u>	<u>2,471,717</u>
Child Nutrition Cluster			<u>2,527,843</u>	<u>375,658</u>	<u>389,716</u>	<u>162,673</u>	<u>328,175</u>	<u>161,539</u>	<u>711,316</u>	<u>471,798</u>	<u>311,548</u>	<u>5,440,266</u>
Total U.S. Department of Agriculture:			<u>2,527,843</u>	<u>375,658</u>	<u>389,716</u>	<u>162,673</u>	<u>328,175</u>	<u>161,539</u>	<u>711,316</u>	<u>471,798</u>	<u>311,548</u>	<u>5,440,266</u>
U.S. Department of Health and Human Services:												
Pass Through Program From												
California Department of Education:												
Medicaid	93.778	N/A	19,187	2,741	2,741	1,396	2,741	1,396	-	-	-	30,202
Pass Through Program From												
Wisconsin Department of Health Services:												
Medical Assistance Program	93.778	N/A	-	-	-	-	-	-	-	6,500	-	6,500
Total U.S. Department of Health and Human Services			<u>19,187</u>	<u>2,741</u>	<u>2,741</u>	<u>1,396</u>	<u>2,741</u>	<u>1,396</u>	<u>-</u>	<u>6,500</u>	<u>-</u>	<u>36,702</u>
Total Federal Expenditures			<u>\$ 5,250,892</u>	<u>\$ 699,514</u>	<u>\$ 719,830</u>	<u>\$ 329,625</u>	<u>\$ 689,565</u>	<u>\$ 476,348</u>	<u>\$ 1,904,434</u>	<u>\$ 1,065,681</u>	<u>\$ 1,815,858</u>	<u>\$ 12,951,747</u>

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

PURPOSE OF SCHEDULES

NOTE 1 CONSOLIDATING STATEMENTS

These statements provide detailed financial information of each charter school.

NOTE 2 SCHEDULE OF INSTRUCTIONAL MINUTES - CALIFORNIA

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

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

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

NOTE 4 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

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

NOTE 5 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of RSEA under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of RSEA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of RSEA.

ROCKETSHIP EDUCATION AND ITS AFFILIATES
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 5 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

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

NOTE 6 INDIRECT COST RATE

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Rocketship Education and its Affiliates (RSEA), which comprise the consolidated statement of financial position as of June 30, 2018, 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 January 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of financial statements, we considered RSEA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RSEA's internal control. Accordingly, we do not express an opinion on the effectiveness of RSEA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of RSEA's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs (see Finding 2018-001), we identified certain deficiencies in internal control that we consider to be a material weakness as well as (see Finding 2018-003) certain deficiencies in internal control that we consider to be a significant deficiency.

Compliance and Other Matters

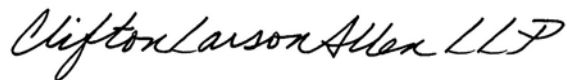
As part of obtaining reasonable assurance about whether RSEA’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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*.

The School’s Response to Findings

The School’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

Glendora, California
January 30, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Rocketship Education and its Affiliates (RSEA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. RSEA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RSEA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, RSEA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

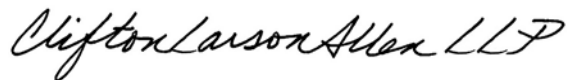
Report on Internal Control Over Compliance

Management of RSEA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RSEA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RSEA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
January 30, 2019

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE - CALIFORNIA

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

We have audited Rocketship Education and its Affiliates’ (RSEA) compliance with the types of compliance requirements described in the *2017-2018 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, 2018. 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the RSEA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of RSEA’s compliance.

Compliance Requirements Tested

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

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

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

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

Opinion on State Compliance

In our opinion, RSEA complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-004. Our opinion on each state program is not modified with respect to these matters.

The Organization's Response to Findings

The Organization's response to the noncompliance finding is identified in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
January 30, 2019

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

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

Identification of Major Federal Programs

CFDA Number(s)

84.027
10.553, 10.555

Name of Federal Program or Cluster

Special Education IDEA
Child Nutrition Cluster

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

\$ \$750,000

Auditee qualified as low-risk auditee?

 yes X no

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
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

Section II – Financial Statement Findings

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

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Criteria: Internal control processes should be followed throughout the year to ensure accurate financial information in accordance with Generally Accepted Accounting Principles.

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

Effect: Potential errors in reporting account balances and risk that material errors may not be prevented or detected and corrected on a timely basis.

Cause: Month-end closing procedures were not sufficient to ensure correct balances at the time of the audit. The issue was caused by a change in accounting personnel.

Questioned Costs and Units: None.

Recommendation: We recommend RSED review its current internal control procedures related to month-end closings and to ensure it has adequate capacity to perform all functions of its internal control processes.

Corrective Action Plan: RSED has employed external consultants since May 2018 to improve and clarify its monthly close and to improve all accounting processes and controls. This has included additional resourcing, implementation and review of new closing checklists, and additional accounting system investments to support process. In addition, RSED has employed new senior accounting personnel to review activity and controls.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs

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

Section IV – Findings and Questioned Costs – State Compliance

2018-002 – Teaching Credential 10000

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

Criteria: Education Code Section 47605(l) states that all teachers who are either providing classroom instruction, or who are authorized to provide classroom instruction, must possess a valid teaching credential issued from the California Commission on Teaching Credential (CCTC).

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

Effect: Four teachers who provided classroom instruction were not credentialed for the entire period they were providing instruction.

Cause: Internal controls for tracking teacher credentials were insufficient to ensure compliance.

Questioned Costs and Units: Due to disallowed instructional time from non-credentialed teachers, RSED had an instructional minutes finding at 2018-004. See this finding for questioned costs.

Recommendation: It is recommended that RSED review its process for verifying teacher credentials and modify it accordingly to avoid any lapse in teaching credential periods.

Corrective Action Plan: As of May 2018, RSED has implemented a plan with several elements to ensure all teachers have required credentials. This includes the addition of specific Credential Analyst staff with responsibility for monitoring and testing for credential accuracy. Other steps include: utilizing human resources software to track teacher credential status and needs; monitoring compliance and upcoming renewals on a weekly basis; increasing communication and support to teachers with upcoming renewals and implementing of mandatory summer credentialing professional development sessions. As a result, per RSED's corrective actions all required teachers in 2018/19 have credentials in place. RSED management has also requested that the auditors perform a full review of all California teacher's credentialing for the audit year ending 06/30/2019.

2018-003 – Teaching Credential – Wisconsin Charter Schools 10000

Criteria: Under §118.40 (2r)(d), Wisconsin Statutes, a charter school shall ensure all instructional staff hold a valid license or permit to teach issued by the department.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

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

Cause: RSED did not follow up to verify the employee had the proper license.

Effect: RSED is not in compliance with Wisconsin state statutes.

Identification of a Repeat Finding: This is a repeat finding. See 2017-001.

Recommendation: We recommend RSCP verify that all staff have an appropriate license within the grade range they are teaching.

Corrective Action Plan: The Organization will ensure that all instructional staff hold a valid license or permit within the grade range they are teaching. A new staff member has been hired for FY18-19 to specifically focus on monthly review of licensing and credentialing.

2018-004 – Instructional Minutes

40000

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

Criteria: Pursuant to the provisions of subdivision (a)(1) of Education Code Section 47612.5, minimum instructional minutes required by grade are as follows: 36,000 for grades TK-K, 50,400 for grades 1-3, and 54,000 for grades 4-5.

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

Effect: After disallowing core instruction minutes for the teachers in question, the total instructional minutes to the amounts shown in the Schedule of Instructional Minutes – California. This resulted in non-compliance with the instructional minute minimum requirement.

Cause: Instructional time under non-credentialed teachers were subtracted from the total instructional minutes, which resulted in the shortage of instructional minutes.

Questioned Costs and Units: The questioned cost generated from not meeting the annual minutes per site is as follows, determined using the penalty calculation worksheet from the California Department of Education:

- Rocketship Redwood City Prep - \$117,626
- Rocketship Spark Academy - \$238,295
- Rocketship Alma Academy - \$46,169

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

2018-004 – Instructional Minutes (continued)

40000

Recommendation: It is recommended that a process for annually verifying teaching credentials for all teachers be established along with a method to keep track of credentials to avoid instructional minutes being affected.

Corrective Action Plan: See corrective action plan for finding 2018-002.

**ROCKETSHIP EDUCATION AND ITS AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

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

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS—STATE COMPLIANCE

2017-001 – Special Education Ineligible Staff

Condition: RSCP employed a special education individual that taught outside the license grade range issued by the department.

Status: See current year finding 2018-003.

Reason for finding's recurrence: See current year finding 2018-003.

Corrective Action: See current year finding 2018-003.