



Monday, February 27, 2023
Rocketship Public Schools Business Committee (2022-23 Q3)

Meeting Time: 3:00pm

Public Comment: Members of the public can make comment on off-agenda items at the start of the meeting, and on agenda items immediately preceding the board's discussion of each item. You will be recognized once the public comment time begins, and be permitted to make comment for a duration of up to 3 minutes.

Meeting Location: 2001 Gateway Place, Suite 230E San Jose, CA 95110

Teleconference locations:

950 Owsley Ave, San Jose, CA 95122

1700 Cavallo Rd, Antioch, CA 94509

2351 Olivera Rd, Concord, CA 94520

909 Roosevelt Ave, Redwood City, CA 94061

311 Plus Park Blvd Suite 130, Nashville, TN 37217

1060 Palo Alto Ave, Palo Alto, CA 94301

1877 Camino A Los Cerros, Menlo Park, CA 94025

2625 West Alameda Ave #116 Burbank, 91505

1198 Crestmont Drive, Lafayette CA 94549

11723 SE Florida Avenue, Hobe Sound, FL 33455

1. Opening Items

A. Call to order

B. Public comment on off-agenda items

2. Consent Items

A. Approve minutes from November 15, 2022 Business Committee meeting

3. Information Items

A. Listing of checks in excess of \$100,000

4. Agenda Items

A. Fundraising and Development Update

B. Recommend to the Rocketship Board of Directors approval of investments in HCM Systems

C. Q2 Financial Review and Business Operations Update

5. Closed Session

A. Conference with Legal Counsel — Anticipated Litigation: Significant exposure to litigation pursuant to California Government Code § 54956.9. Number of cases: 1

6. Agenda Items (Contd.)

A. Public report on actions taken in closed session

7. Adjourn

THE ORDER OF BUSINESS AND TIMINGS MAY BE CHANGED WITHOUT NOTICE: Notice is hereby given that the order of consideration of matters on this agenda may be changed without prior notice, provided that the Board takes action to effectuate such change.

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Si necesita traducción de audio al español para acceder a la reunión de la Mesa Directiva de Rocketship, envíe una solicitud a compliance@rsed.org por lo menos 24 horas antes del inicio de la reunión.

Si desea hacer un comentario público en español y desea que lo traduzcamos al inglés para la Mesa Directiva, envíe una solicitud a compliance@rsed.org por lo menos 24 horas antes del inicio de la reunión.

Rocketship Public Schools Business Committee (2022-23 Q2) (Tuesday, November 15, 2022)

Generated by Cristina Vasquez on Monday, November 21, 2022

1. Opening Items

A. Call to order

At 10:01am, Mr. Terman took roll call. With a quorum of committee members present, Mr. Terman called the meeting to order.

Present: Mike Fox, Ray Raven, Charmaine Detweiler, Greg Stanger, Alex Terman

Absent: --

B. Public comment on off-agenda items

At 10:05am, Mr. Terman called for public comment on off-agenda items. Members of the public were present via Zoom. No comment was made.

2. Consent Items

A. Approve minutes from May 16, 2022 meeting of the Business Committee meeting

At 10:06am, Mr. Stanger made a motion to approve the consent items. This motion was seconded by Ms. Detweiler, and carried unanimously by roll call vote.

Y: Mike Fox, Ray Raven, Charmaine Detweiler, Greg Stanger, Alex Terman

No: --

Abstain: --

3. Information Items

A. Listing of checks in excess of \$100,000

At 10:07am, the committee reviewed agenda item 3(A). No action was taken.

4. Agenda Items

A. Development Update

At 10:08am, the committee discussed agenda item 4(A). No action was taken.

B. Financial update

At 11:14am, the committee discussed agenda item 4(B). No action was taken.

5. Adjourn

At 11:32am, Ms. Detweiler made a motion to adjourn the meeting. This motion was seconded by Mr. Stanger, and carried unanimously by roll call vote.

Y: Mike Fox, Ray Raven, Charmaine Detweiler, Greg Stanger, Alex Terman

No: --

Abstain: --

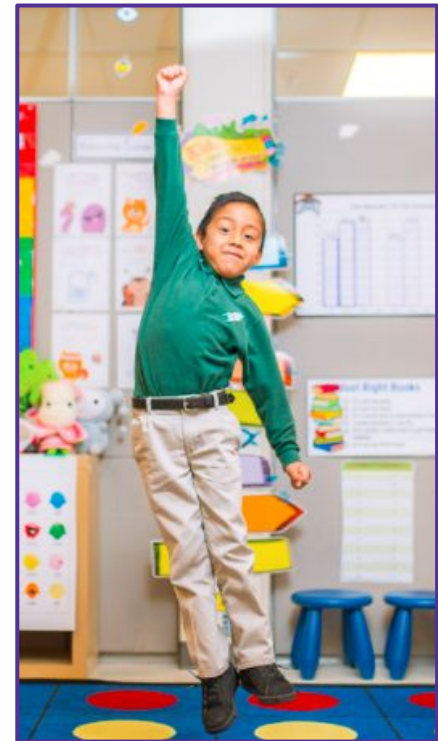
RPS Business Committee Update February 2023

February 27, 2023

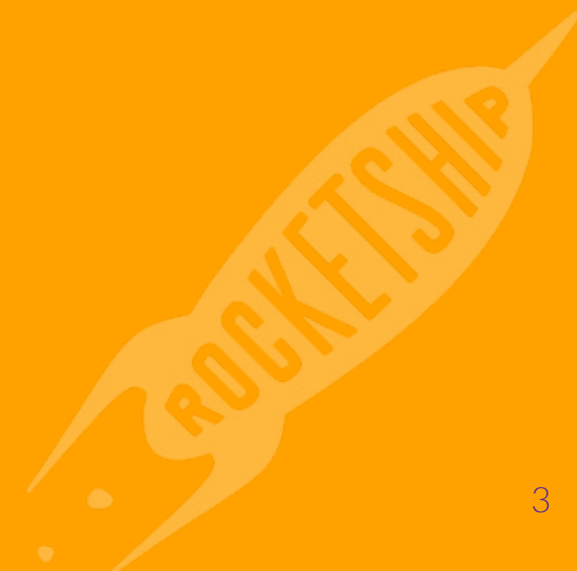


Agenda

- Administrative (5 min)
- Fundraising and Development Update (15 min)
- Recommend to the Rocketship Board of Directors approval of investments in HCM Systems (40 min)
- Q2 Financial Review and Business Operations Update (40 min)
- Closed Session (20 min)



Fundraising and Development Update



We have raised nearly 70% of our total \$8.5M fundraising goal for FY23.

<i>Region</i>	<u>FY22</u> Fundraising Goal	<u>FY22</u> Actual	<u>FY23</u> Fundraising Goal	FY23 Fundraising YTD Actual
National	\$3.7M	\$4.9M	\$3.2M	\$2.7M
Bay Area	-	-	\$100K	\$141K
Tennessee	\$400K	\$672K	\$400K	\$409K
Wisconsin	\$400K	\$399K	\$750K	\$351K
DC	\$500K	\$591K	\$500K	\$300K
Texas	\$1.2M	\$1.3M	\$3.5M	\$1.9M
TOTAL	\$6.2M	\$7.8M	\$8.5M	\$5.8M

Pipeline Health Report (February)

C&C = Cash In & Committed (signed agreement)




P = Pipeline B = Benchmark

Region	Q1 Actual	Q2 Actual	Q3 Benchmark	Q4 Benchmark	Summary
National	C&C: \$1.7m Q1 B: \$1.7m	C&C: \$827k Q2 B: \$900k	C&C: \$32k P: \$130k Q3 B: \$100k	C&C: 0 P: \$600k Q4 B: \$500k	C&C YTD: \$2.7M YE Goal: \$3.2M Gap to Goal: \$500K
Bay Area	C&C: \$90k Q1 B: \$0	C&C: \$50k Q2 B: \$50k	C&C: \$1k P: \$50k Q3 B: \$25k	C&C: \$0m P: \$140k Q4 B: \$25k	C&C YTD: \$141K YE Goal: \$100K Gap to Goal: \$0
Nashville	C&C: \$41k Q1 B: \$40k	C&C: \$336k Q2 B: \$100k	C&C: \$32k P: \$55k Q3 B: \$50k	C&C: \$0 P: \$300k Q4 B: \$210k	C&C YTD: \$409k YE Goal: \$400k Gap to Goal: \$0
Milwaukee	C&C: \$52 Q1 B: \$50k	C&C: \$50k Q2 B: \$100k	C&C: \$300k P: \$87k Q3 B: \$300k	C&C: \$0 P: \$1.5m Q4 B: \$300k	C&C YTD: \$351k YE Goal: \$750k Gap to Goal: \$400k
DC	C&C: \$0k Q1 B: \$100k	C&C: \$100k Q2 B: \$50k	C&C: \$100k P: \$200k Q3 B: \$100k	C&C: \$100k P: \$1m Q4 B: \$250k	C&C YTD: \$300k YE Goal: \$500k Gap to Goal: \$200k
Texas	C&C: \$0 Q1 B: \$0	C&C: \$1.9m Q2 B: \$1.5m	C&C: \$0 P: \$2.4m Q3 B: \$2m	C&C: \$0 P: \$820k Q4 B: \$0	C&C YTD: \$1.9m YE Goal: \$3.5m* Gap to Goal: \$1.6m*

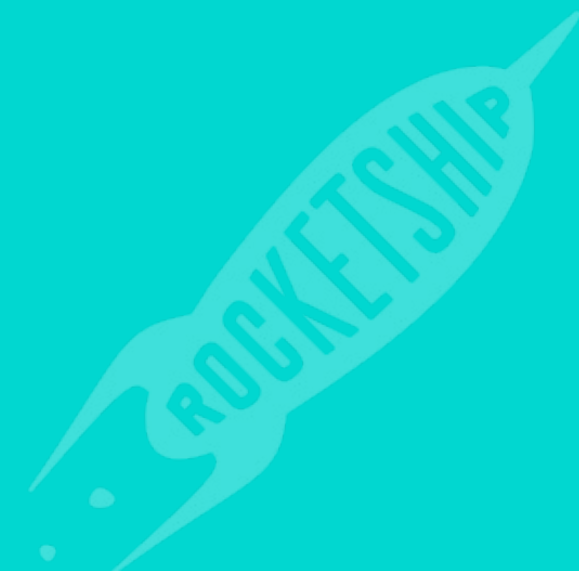
*This number reflects the beginning of school year approved fundraising goal. In December 2022, with an updated financial model, the fundraising goal increased to \$4.9M. While we are fundraising toward the updated fundraising goal, we are continuing to report against the initial goal for consistent benchmark reporting.

Goal, Pipeline, & Benchmark Key

PIPELINE - List of qualified prospects (i.e give to early childhood missions, education, school choice etc.) that are in various stages of cultivation and likelihood of giving this year.

Color	Definition
Green 	On Track Pipeline = at least 3x the benchmark
Yellow 	Slightly off track Pipeline is < 3x the benchmark but key prospects identified and the likelihood of gifts closing is high (i.e. renewal gifts)
Red 	Off Track Pipeline < the benchmark with a need for more prospects to be added to pipeline

Recommend to the Rocketship Board of Directors approval of investments in HCM Systems



Overview

In October we discussed payroll challenges that we had had over the summer and committed to developing a long-term solution to address them.

Our plan was to explore both an outsourced payroll provider and an HCM (HRIS) system as the solution the summer difficulties. In thinking more holistically about our needs, it was clear that we needed an inhouse solution.

Over the past six months, we identified and assessed seven systems as possible solutions. As we explored our needs and identified our priorities for a solution, we narrowed our recommendation to two HCMs, UKG and Workday.

Both systems will provide a robust, integrated solution with the controls needed for an organization of our size and complexity.

Further, both systems will create significant efficiencies for the Business and Talent teams, enhanced functionality for team member and robust tools for budget owners.



Current Pain Points

Lack of system integration (control and efficiency challenges)

- ADP does not integrate with Salesforce
 - Creates opportunities for human errors and omissions
 - Requires extensive reconciliation
- Neither ADP nor Salesforce integrate with our ERP or FPA solutions
 - Creates difficulty ensuring that personnel data is accurately recorded
 - Requires significant analysis to verify that compensation data is correctly allocated and reported to both internal and external stakeholders
 - Creates audit risk related to reporting of restricted funds

No single source of truth for employee data (control and employee relations)

- Data is manually entered into Salesforce, ADP and Adaptive
- Challenges with headcount control
- Employees see different data in Salesforce and ADP

Staff turnover (control)

- Processes are people dependent which leads to difficulties when there is staff turnover.



Security, scalability, and solutions orientation - Problem we are solving*

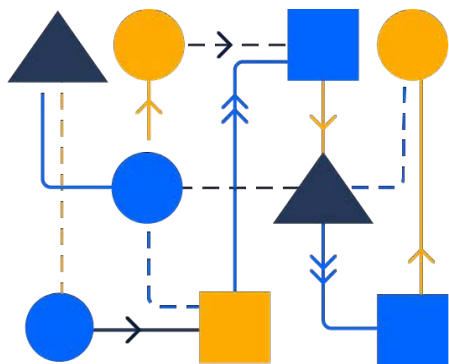
- Create stronger internal controls around the HR, Payroll and Fiscal Management processes
- Implement more robust system security
 - Security access and roles control
 - Audit log trail of all activity
 - Fraud detection notification
 - Data breach and system compromise incident management
- Remove/reduce manual and repetitive processes, through workflow automation
- Increase efficiency, effectiveness, and accuracy for the Talent and Business Teams

*See appendix for additional detail

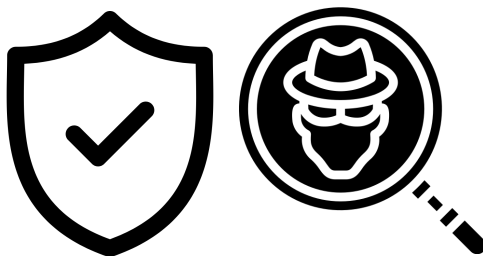


Security, scalability and solutions orientation - Benefits of the solution

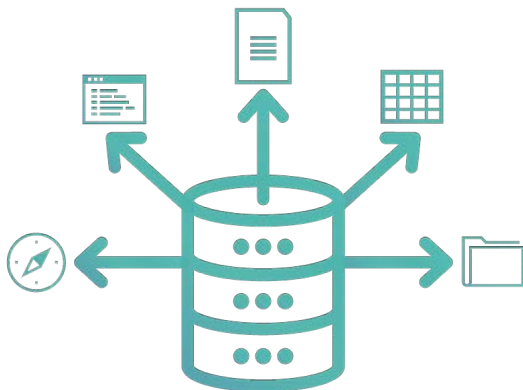
Improved Transparency and Workflow Documented



Enhanced Security, Controls, and Fraud Detection



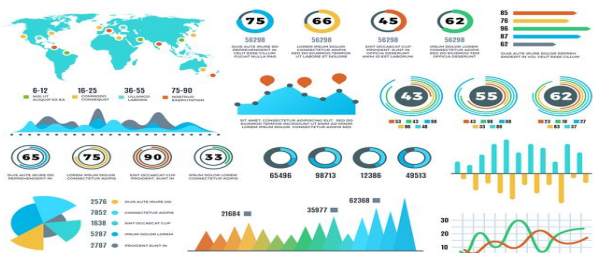
Authoritative Source of Data Truth



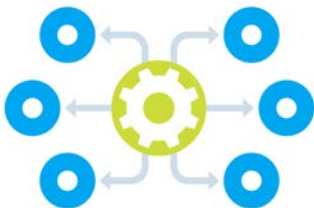
Improved Forecasting



Upgraded Data Dashboards



Automation and Auto-Syncing of data



Selection Process

Given large investment of time and resources, a multi-year commitment, the high-risk/high reward nature of the project and the impact that the HCM will have across the organization, we conducted a robust and inclusive selection process.

- The HCM (HRIS) selection process was led by Bryant Wong, a member of the talent team and a member of the SIS team.
- Team members across the organization provided feedback on system needs.
- Prioritized requirements of the Talent and Business teams as well as technical, security and data privacy considerations.
- Met with 7 high performing networks using HCMs
- Three selected for extensive demoing
- Matt, Lamar, and Stephen reviewed finalists
- Currently negotiating pricing and implementation options



Proposed Solution - Workday

Overview

A modern HCM and Payroll solution built to meet our needs today and in the future. The system is robust, very secure and has proven capabilities to enhance our human capital, payroll and our fiscal management requirements. Workday is used by several of our peer networks.

Highlights

- Analytics and Dashboards is the best in breed and updated real-time
- Interface is user friendly
- System has built in AI and automation capabilities
- Future ready for our growing and expansive org needs
- Best in class security architecture and access controls

Other Considerations

- Payroll is not fully integrated in Workday. Workday prepares payroll but the actual processing of checks, direct deposits and taxes are managed by a 3rd party. Workday has a partner that we would use that seamlessly integrates into its system.
- Customer service is not as strong as UKG.



Alternative Solution - UKG

Overview

A solid HCM and Payroll solution designed to meet and address our current business needs. The system has a very strong customer service offering with a solid suite of solutions that focuses on our core Human Capital, Payroll, and Fiscal Management needs.

Highlights

- Customer support and training is superior
- The UI is clean and aligned
- Reporting and Dashboards are robust with a focus on administrators
- System has built in AI capabilities
- Meets today's needs

Other Considerations

HCM is not as strong and expandability is limited. The employee experience is not as intuitive as Workday.



Financial Analysis - Overview

We propose the following as “not to exceed” pricing for Workday.

The annual cost for Workday will be offset by \$325K in savings from current HR and payroll solutions

HCM Implementation and Annual Expense

Implementation - Capitalized

Implementation - HCM Consulting Support (not to exceed)	900,000
Implementation - Rocketship Consultants	200,000
Implementation - Licensing Cost	225,000
<i>Total Capitalized</i>	<i>1,325,000</i>
<i>Monthly Amortization (36 Months)</i>	<i>36,806</i>

Annual Cost Post Implementation

Average 5 Year Annual Subscription (not to exceed)*	360,000
Annual Additional Operating Expenses	25,000
Savings: ADP, Salesforce & Echospa	(325,000)
<i>Annual Change in Non-Capitalized Expenses</i>	<i>60,000</i>

* Plus \$250 per additional EE per year



Financial Analysis - Five Year Financial Implications

The HCM net annual CINA impact will be \$250K for FY24 and increase to \$502K until the software implementation asset is fully amortized.

The cash impact for implementation will be \$1.3M. The ongoing annual cash impact will be \$60K

The projected National NeST FY23 increase in cash will be approximately \$2.4M which will be used to offset the implementation costs of the HCM.

	3/1/23 - 12/30/23	1/1/24 - 6/30/24	7/1/24 - 6/30/25	7/1/25 - 6/30/26	7/1/26 - 6/30/27	7/1/27 - 6/30/28
Amortization		220,833	441,667	441,667	220,833	
Annual Change in Non-Cap Expense		30,000	60,000	60,000	60,000	60,000
Annual Expense		250,833	501,667	501,667	280,833	60,000
Cash Impact	1,325,000	30,000	60,000	60,000	60,000	60,000



HCM Cost Effectiveness

The HCM annual licensing cost and anticipated maintenance expenses will not exceed \$360K.


The HCM cost will be offset by the elimination of ADP, Echospans and Salesforce which represents a savings of approximately \$325K.

We will not need to hire additional staff to manage the HCM.

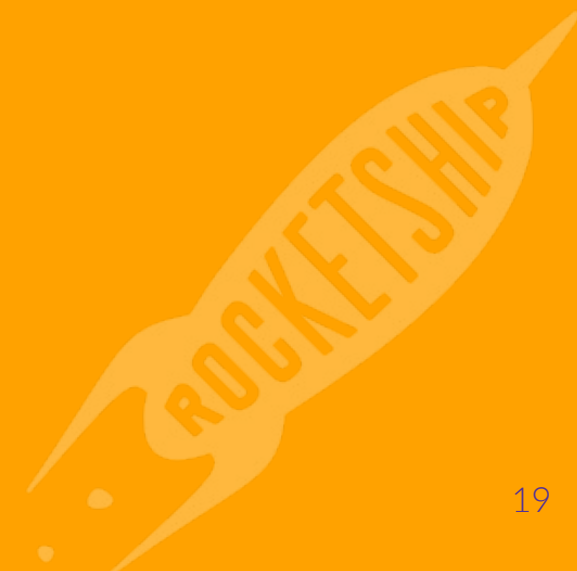


HCM Expenditure Approval Recommendation

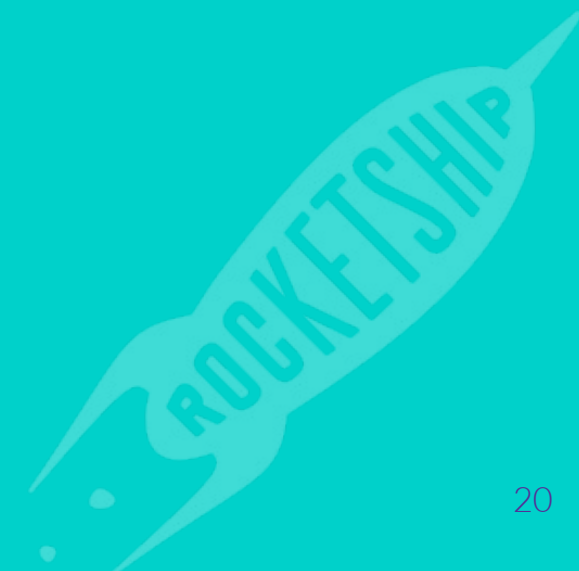
Recommend to the Rocketship Board of Directors to approve the total expenditure for the implementation of HCM Systems not to exceed \$1,325,000 and approve a five year HCM licensing agreement with an average annual cost not to exceed \$360K based on existing staffing levels and an estimated additional cost of \$250 per each additional employee per year.



Q2 Financial Review and Business Operations Update



Financial and Business Operations Update: FY23 Q2 Balance Sheet and Statement of Activities



FY23 Q2 Finance Update

Rocketship is in a robust financial position at the end of Q2.

- Our balance sheet reflects our financial health, with strong outcomes on standard metrics.
- We ended Q2 with a \$1.1M positive CINA despite delays in federal funding totaling \$4.2M.
- Our Q2 budget vs actual showed a \$523K positive variance.
- Our Q2 budget reforecast estimates that CINA will be \$7.1M greater than the board approved budget.



December 2022 Balance Sheet

RPS balance sheet demonstrates strong financial health as evidenced by the metrics below:

	Formula	RPS Dec 2022	Red	Yellow	Green
Cash Position		34,568,424			
DCOH	=unrestricted cash / (operating expenses/365)	63.55	<30	30 < x < 60	>60
Current Ratio	=current assets / current liabilities	2.93	<1	1 < x < 1.2	>1.2
Liabilities as a % of Assets	=liabilities / assets	42%	>0.90	0.80 < x < 0.90	0.80 <
Net Asset Margin	=net assets / operating expenses	26%	<10%	10% < x < 20%	>20%

Key highlights include:

- Cash: \$35M
 - Decrease of \$6.7M
 - This provides Rocketship with reserves that will allow us to weather a downturn in revenue, a delay in cash receipts, or a significant increase in expenditures
- Assets: \$91M
 - Increase of \$11M driven primarily by an increase in accounts receivable
- Liabilities: \$38M
 - Increase of \$9.9M driven primarily by an increase in deferred revenue
- Net Assets: \$52M
 - Increase of \$1.1M

December 2022 Balance Sheet

Rocketship Public Schools Balance Sheet

	31-Dec-22	30-Jun-22	
	Actual	Actual	Change
Assets			
Total Cash and cash equivalents	34,568,424	41,447,840	(6,879,416)
Total Accounts Receivable	36,644,188	25,110,450	11,533,738
Total Prepaid expenses and deposits	8,027,757	6,283,914	1,743,843
Total Security Deposits	459,297	453,297	6,000
Total Property, plant & equipment	7,917,690	7,612,440	305,250
Total Less: Accumulated depreciation	(2,859,077)	(2,723,192)	(135,885)
Total Note receivable	5,820,528	1,327,785	4,492,743
Total Assets	90,578,806	79,512,533	11,066,273
Liabilities			
Total Accounts payable	2,253,120	5,632,210	(3,379,090)
Total Accrued liabilities	8,463,573	6,964,135	1,499,438
Total Deferred Revenue	15,852,618	5,669,362	10,183,255
Total Current portion of loans payable	438,480	367,408	71,072
Total Current Liabilities	27,007,790	18,633,115	8,374,675
Total Accrued Interest	211,090	206,341	4,750
Total Loans payable L-T	790,439	1,082,888	(292,449)
Total Long-Term Liabilities	10,157,623	8,315,097	1,842,526
Total Liabilities	38,166,942	28,237,441	9,929,501
Net Assets	52,411,864	51,275,092	1,136,771
Total Liabilities and Net Assets	90,578,806	79,512,533	11,066,273

December 2022 Statement of Activities

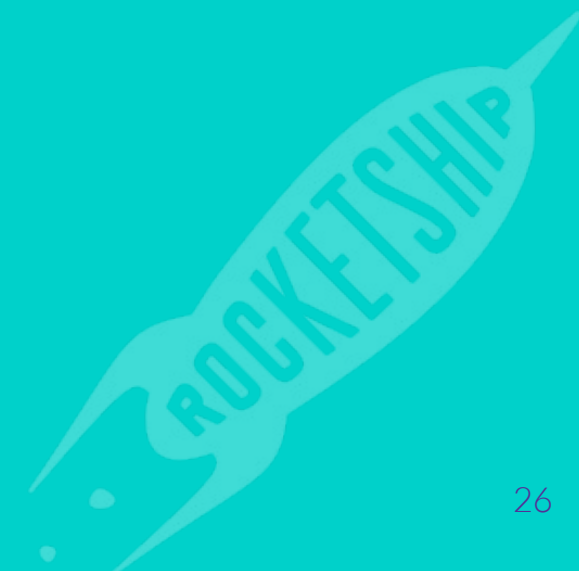
RPS Statement of Activities Highlights:

- For the first half of FY23, RPS operated with a positive CINA of \$1.2M
 - Revenue \$103M
 - Expense of \$101M
- The positive CINA was driven primarily by one-time revenue in California and the delay in expenses for CA's afterschool program (ELOP)
- With the exception of CA, all regions and National operated with a negative CINA through Q2.
 - Negative CINAs are consistent with mid-year budget projections for MKE, DC and National
 - Lower than projected CINAs were predominantly a result ESSER funds timing. In aggregate, federal funds were \$4.2M lower than projected through Q2. We project that we will earn all of this revenue by year-end.

December 2022 Statement of Activities

	Statement of Activities 12/31/22						
(\$000)	CA	MKE	NSH	DC	NTL	Elim	RPS
Federal Income	8,198	588	1,559	1,151			11,496
State Revenue Sources	56,739	3,290	10,029	16,950			87,008
Other Local Revenues	40	18	40	510	90		698
Int Transfers/Network Support Fee	2,902	430	526	634	9,080	(13,571)	
Grants and Fundraising	105	(2)	390	55	2,816		3,363
Revenues	67,984	4,322	12,544	19,300	11,986	(13,571)	102,566
Compensation	29,150	2,559	6,261	8,651	8,211		54,832
Non Compensation	17,159	2,043	4,170	8,505	4,950	(565)	36,262
Rent	5,180	286	1,156	3,546	165		10,333
Network Service Fee	8,989	539	1,578	1,901	0	(13,006)	0
Expense	60,478	5,427	13,165	22,603	13,326	(13,571)	101,427
CINA	7,506	(1,105)	(621)	(3,302)	(1,340)		1,138

Financial and Business Operations Update: FY23 Enrollment



Enrollment - Q2 Update

School/Region	FY23 BSP	December		
		Actual	Change	Percent
RMS	483	493	10	2%
RSSP	311	323	12	4%
RLS	381	372	(9)	-2%
ROMO	577	573	(4)	-1%
RDP	438	432	(6)	-1%
RBM	460	500	40	9%
RSA	517	517	0	0%
RSK	574	568	(6)	-1%
RFZ	564	558	(6)	-1%
RRS	587	600	13	2%
RRWC	275	314	39	14%
RFA	675	671	(4)	-1%
RDL	594	575	(19)	-3%
CA	6,436	6,496	60	1%
RNNE	500	500	0	0%
RUA	519	492	(27)	-5%
RDCP	420	350	(70)	-17%
NSH	1,439	1,342	(97)	-7%
RSCP	436	435	(1)	0%
RTP	273	256	(17)	-6%
MKE	709	691	(18)	-3%
RISE	600	520	(80)	-13%
RLP	649	642	(7)	-1%
RIC	303	299	(4)	-1%
DC	1,552	1,461	(91)	-6%
RDDE	410	301	(109)	-27%
TX	410	301	(109)	-27%
Total	10,546	10,291	(255)	-2%

Actual enrollment has been strong as compared to the Budget Staffing Projections for the majority of our schools.

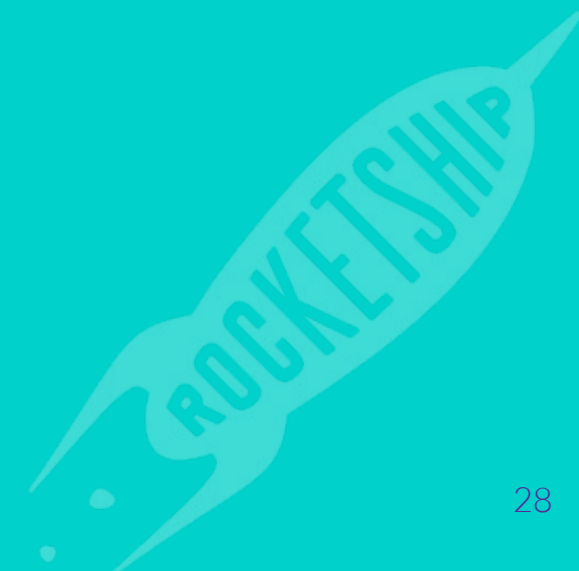
In CA enrollment has exceeded the budget projections by 60 students.

MKE enrollment is slightly lower than budgeted.

In DC, enrollment is 6% lower than budgeted. This is due in part to under enrollment by our PreK partner, Appletree.

Enrolment at our two new schools is lower than projected. This is consistent with other new school openings.

Financial and Business Operations Update: FY23 First Quarter Budget vs Actual



FY23 Q2 Update - Budget v Actuals and September Reforecast

The Q2 actuals and December reforecast indicate that Rocketship is in a strong position to exceed FY23 CINA targets.

The December Budget v Actual shows a positive CINA variance of \$523K. This is driven by a larger than projected CINA in CA. We project that CA will maintain a large CINA variance throughout the year due to one-time funding.

We project a year-end CINA of \$22M which represents a positive variance of \$7.1M. The CINA is driven primarily by additional one-time CA state revenue of \$2,500 per ADA. These funds are intended to be expended over the next four years however, we have been advised to recognize all associated revenue in FY23. We are awaiting further revenue recognition guidance from CDE for these funds.

RPS Q2 BvA

	Board Approved Budget - December Q2 FY23								
	December Budget							December	
(\$000)	CA	MKE	NSH	DC	NTL	Elim	RPS	Actuals	Variance
Federal Income	8,313	1,180	2,398	3,770	0	0	15,661	11,496	(4,165)
State Revenue Sources	55,371	3,187	9,389	17,143	0	0	85,090	87,008	1,918
Other Local Revenues	66	0	0	265	36	0	367	698	331
Int Transfers/Network Support Fee	3,334	204	566	817	9,725	(14,646)	0	0	0
Grants and Fundraising	0	375	200	100	100	0	775	3,363	2,588
Revenues	67,083	4,946	12,553	22,095	9,861	(14,646)	101,894	102,566	672
Compensation	29,874	2,695	5,694	8,566	7,607	0	54,436	54,832	(396)
Non Compensation	20,620	1,853	3,512	8,356	2,969	(873)	36,436	36,262	175
Rent	5,320	322	995	3,684	85	0	10,406	10,333	73
Network Service Fee	9,011	612	1,699	2,450	0	(13,773)	0	0	0
Expense	64,825	5,482	11,900	23,056	10,662	(14,646)	101,279	101,427	(149)
CINA	2,258	(535)	654	(961)	(800)	0	615	1,138	523

The Q2 Budget to Actual shows a positive CINA variance of \$523K.

There are several offsetting factors underlying the variance

- Federal revenue is lower due to timing of ESSER Funds.
- State revenue is higher due to funding increases in NSH and one-time funds in CA
- Philanthropy is larger than projected through Q2

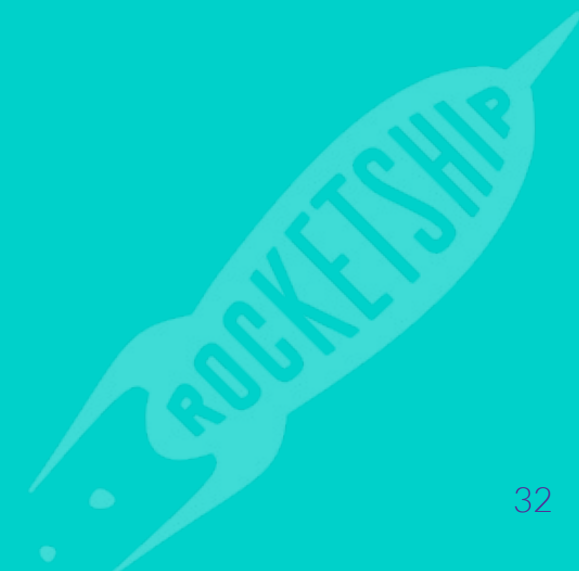
RPS Q2 Reforecast

	Board Approved Budget - Q2 Re-Forecast								
	Board Approved							Q2 Re-Forecast	Variance
(\$000)	CA	MKE	NSH	DC	NTL	Elim	RPS		
Federal Income	17,292	2,455	4,424	6,420	0	0	30,591	31,950	1,359
State Revenue Sources	117,146	6,385	18,778	34,957	0	0	177,266	187,178	9,912
Other Local Revenues	184	0	1	508	72	0	766	1,140	374
Int Transfers/Network Support Fee	6,999	410	1,109	1,648	20,228	(30,393)	0	236	0
Grants and Fundraising	100	750	400	500	3,200	0	4,950	4,988	38
Revenues	141,721	9,999	24,712	44,034	23,500	(30,393)	213,573	225,491	11,683
Compensation	59,748	5,391	11,387	17,130	15,133	0	108,789	109,816	(1,027)
Non Compensation	39,699	3,425	6,369	15,436	5,854	(1,871)	68,911	73,042	(4,131)
Rent	10,704	643	1,989	7,348	171	0	20,855	20,539	315
Network Service Fee	19,022	1,229	3,327	4,944	0	(28,522)	0	0	0
Expense	129,173	10,688	23,072	44,858	21,158	(30,393)	198,555	203,397	(4,842)
CINA	12,549	(689)	1,640	(824)	2,342	0	15,017	22,094	7,077

The Q2 reforecast shows a positive CINA variance of \$7.1M driven by one-time funding in CA which we will use over the next four years.

The negative non-compensation variance is driven primarily by contracted substitute teachers, special education paraprofessionals and facility repairs. We have invested funds in these areas to provide a high quality, meaningful educational program that serves all Rocketeers with excellence.

Financial and Business Operations Update: FY23 Updated Year End Projections



National Q2 BvA and Reforecast

The National Q2 actuals currently include expenses that are being reallocated to other regions and to Launchpad. Once allocated, the National Q2 expenses will decrease by \$1M. To provide a more accurate picture we are showing the Q2 variance against the adjusted actuals.

The adjusted budget vs actual shows a negative CINA variance of \$488K.

The December reforecast shows a positive CINA variance of \$784K which is driven primarily by the additional support fee generated by the increase in CA revenue.

The December reforecast negative expense variance is primarily associated with one-time consulting support.



National Q2 BvA and Reforecast

National	Q2-FY23					FY23 December Reforecast		
(\$000)	Budget	Actuals	Pending Adjustments*	Actuals post Adjustments	Variance	Budget	Forecast	Variance
Federal Income								
State Revenue Sources								
Other Local Revenues	36	90		90	54	72	126	54
Int Transfers/Network Support Fee	9,725	9,080		9,080	(645)	20,228	21,695	1,467
Grants and Fundraising	100	2,816		2,816	2,716	3,200	3,226	26
Revenues	9,861	11,986		11,986	2,124	23,500	25,047	1,547
Compensation	7,607	8,211	(307)	7,904	(297)	15,133	15,134	(1)
Non Compensation	2,969	4,950	(721)	4,229	(1,260)	5,854	6,537	(683)
Rent	85	165		165	(80)	171	250	(80)
Expense	10,662	13,326	(1,028)	12,298	(1,637)	21,158	21,921	(764)
CINA	(800)	(1,340)	1,028	(313)	(488)	2,342	3,126	784

*The adjustments shown are reclasses that are pending to post to locations other than National NeST. They include Compensation (\$307K), Donated Consulting Services (\$300K), Insurance (\$204K), Launchpad expenses (\$125K), Audit (\$90K).

CA Q2 BvA

CA	Q2 - FY23				
(\$000)	Total Schools	CA NeST	Total	Actuals	Variance
Federal Income	8,313	0	8,313	8,198	(114)
State Revenue Sources	55,371	0	55,371	56,739	1,368
Other Local Revenues	66	0	66	40	(26)
Int Transfers/Network Support Fee	250	3,084	3,334	2,902	(432)
Grants and Fundraising	0	0	0	105	0
Revenues	64,000	3,084	67,083	67,984	796
Compensation	28,357	1,517	29,874	29,150	724
Non Compensation	19,564	1,056	20,620	17,159	3,461
Rent	5,174	146	5,320	5,180	140
Network Service Fee	9,011	0	9,011	8,989	23
Expense	62,107	2,718	64,825	60,478	4,347
CINA	1,893	365	2,258	7,506	5,248

The CA BvA shows a positive variance in revenue of \$796K which is driven by one-time funding.

The non-compensation savings in Q2 are related to the CA after school program (ELOP) expenditures. This program provides \$15M in funding for after school and summer programming. We have not incurred the level of expense that we had originally budgeted at this point in the school year.

CA December Reforecast

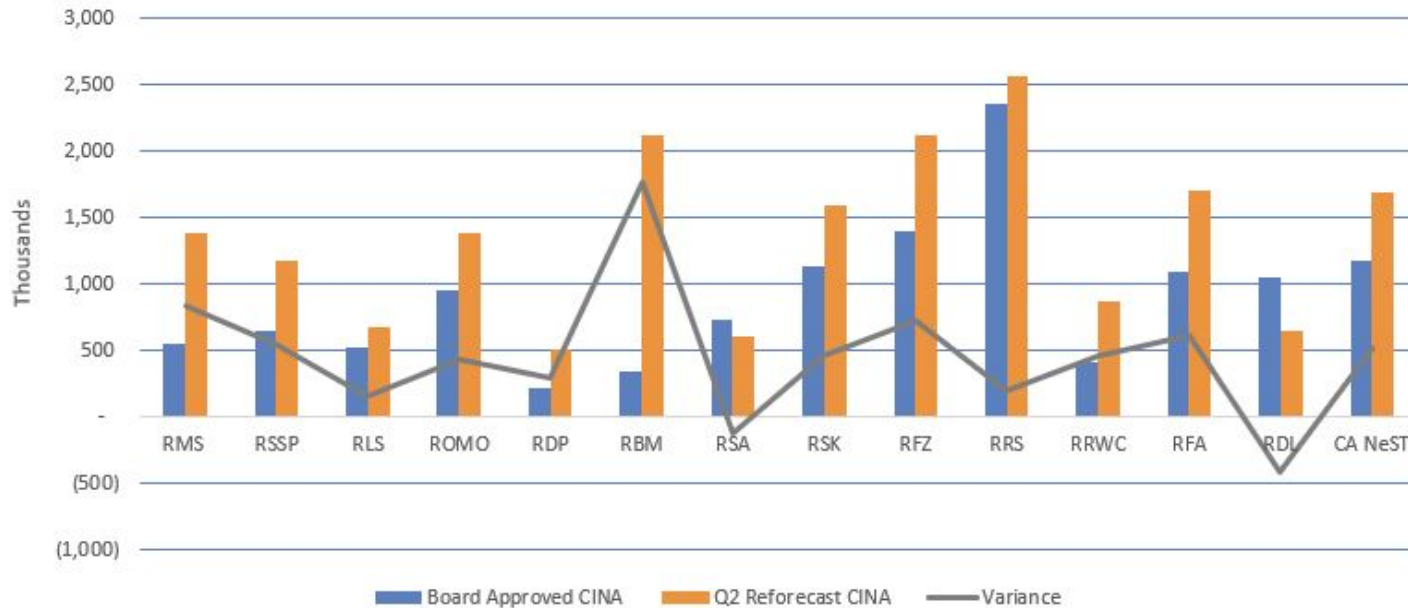
CA	December Reforecast				
	FY23 Budgets				
(\$000)	Total Schools	CA NeST	Total	Q2 Reforecast	Variance
Federal Income	17,292	0	17,292	17,021	(271)
State Revenue Sources	117,206	0	117,206	126,917	9,711
Other Local Revenues	124	0	124	109	(15)
Int Transfers/Network Support Fee	500	6,499	6,999	7,557	558
Grants and Fundraising	0	100	100	105	5
Revenues	135,123	6,599	141,721	151,709	9,987
Compensation	56,714	3,033	59,748	59,985	(238)
Non Compensation	37,543	2,161	39,704	41,943	(2,238)
Rent	10,406	292	10,698	10,375	323
Network Service Fee	19,022	0	19,022	20,323	(1,301)
Expense	123,686	5,486	129,172	132,627	(3,454)
CINA	11,437	1,112	12,549	19,082	6,533

The CA December reforecast shows a positive CINA change of \$6.5M. This is driven primarily by the receipt of one-time funds from the State. We intend to use these funds over the next four years in the CA schools, however, current guidance is that we must recognize all of the funds in FY23.

The negative non-compensation variance is driven primarily by contracted substitute teachers, special education paraprofessionals and facility repairs. We have invested funds in these areas to provide a high quality educational program to our Rocketeers.

CA Q2 School Reforecast

California Q2 Reforecast CINA Variance



	RMS	RSSP	RLS	ROMO	RDP	RBM	RSA
Board Approved CINA	549	643	524	950	226	351	736
Q2 Reforecast CINA	1,391	1,183	682	1,387	515	2,121	610
Variance	842	540	158	437	289	1,770	(126)

	RSK	RFZ	RRS	RRWC	RFA	RDL	CA NeST	CA Region
Board Approved CINA	1,137	1,403	2,362	408	1,090	1,057	1,173	12,609
Q2 Reforecast CINA	1,597	2,122	2,559	876	1,708	642	1,687	19,082
Variance	460	719	198	468	617	(415)	515	6,473

DC Q2 BvA

DC	Q2 - FY23				
(\$000)	Total Schools	DC NeST	Total	Actuals	Variance
Federal Income	3,770	0	3,770	1,151	(2,619)
State Revenue Sources	17,143	0	17,143	16,950	(193)
Other Local Revenues	265	0	265	510	245
Int Transfers/Network Support Fee	0	817	817	633	(184)
Grants and Fundraising	0	100	100	55	0
Revenues	21,178	917	22,095	19,300	(2,750)
Compensation	7,733	832	8,566	8,651	(85)
Non Compensation	8,129	227	8,356	8,505	(149)
Rent	3,684	0	3,684	3,546	138
Network Service Fee	2,450	0	2,450	1,901	550
Expense	21,997	1,059	23,056	22,603	454
CINA	(819)	(142)	(961)	(3,302)	(2,342)

DC Q2 BvA shows a negative CINA variance of \$2.3M. This is driven by a delay in federal ESSER funding. We are confident that we will realize these funds by the end of the fiscal year.

DC Q2 December Reforecast

DC	December Reforecast				
	FY23 Budgets				
(\$000)	Total Schools	DC NeST	Total	Q2 Reforecast	Variance
Federal Income	6,420	0	6,420	7,659	1,239
State Revenue Sources	34,957	0	34,957	33,679	(1,278)
Other Local Revenues	508	0	508	840	332
Int Transfers/Network Support Fee	0	1,649	1,649	1,582	(67)
Grants and Fundraising	0	500	500	505	5
Revenues	41,885	2,149	44,035	44,265	230
Compensation	15,466	1,665	17,130	17,249	(119)
Non Compensation	14,992	444	15,435	15,972	(537)
Rent	7,348	0	7,348	7,338	10
Network Service Fee	4,944	0	4,944	4,742	202
Expense	42,750	2,108	44,858	45,302	(444)
CINA	(865)	41	(824)	(1,037)	(213)

The DC December reforecast shows a projected negative CINA of \$1M which represents a negative variance of \$213K.

The higher than budgeted expenditures are primarily related to unanticipated facility repairs and additional contracted services.

TN Q2 BvA

TN	Q2 - FY23				
(\$000)	Total Schools	TN NeST	Total	Actuals	Variance
Federal Income	2,398	0	2,398	1,559	(839)
State Revenue Sources	9,389	0	9,389	10,029	640
Other Local Revenues	0	0	0	40	40
Int Transfers/Network Support Fee	0	566	566	526	(40)
Grants and Fundraising	0	200	200	390	190
Revenues	11,788	766	12,554	12,544	(9)
Compensation	5,051	643	5,694	6,261	(567)
Non Compensation	3,434	78	3,512	4,170	(658)
Rent	995	0	995	1,156	(161)
Network Service Fee	1,699	0	1,699	1,578	121
Expense	11,179	721	11,900	13,165	(1,266)
CINA	608	46	654	(621)	(1,275)

The Q2 budget to actual shows a regional negative variance of \$1.3M driven largely by increases in expenditures. We anticipate that the negative expense variance will continue its trend for the remainder of the year, however, it will be offset by a significant positive revenue variance in Q3-Q4.

The higher than budgeted expenditures are driven primarily by additional staff, under budgeting on several non-compensation lines and investment in student books and supplies.

TN December Reforecast

TN	December Reforecast				
	FY23 Budgets			Q2	
(\$000)	Total Schools	TN NeST	Total	Reforecast	Variance
Federal Income	4,424	0	4,424	4,663	239
State Revenue Sources	18,778	0	18,778	20,210	1,432
Other Local Revenues	1	0	1	46	46
Int Transfers/Network Support Fee	0	1,109	1,109	1,138	29
Grants and Fundraising	0	400	400	400	
Revenues	23,203	1,509	24,712	26,458	1,746
Compensation	10,102	1,286	11,387	12,383	(996)
Non Compensation	6,213	154	6,367	7,099	(732)
Rent	1,989	0	1,989	2,004	(14)
Network Service Fee	3,327	1	3,328	3,408	(80)
Expense	21,631	1,441	23,072	24,894	(1,822)
CINA	1,572	68	1,640	1,564	(76)

Tennessee per pupil funding increased significantly leading to a higher revenue projection for the year.

The higher than budgeted expenditures are driven primarily by additional staff, under budgeting on several non-compensation lines and investment in student books and supplies.

MKE Q2 BvA

WI	Q1 - FY23				
(\$000)	Total Schools	MKE NeST	Total	Actuals	Variance
Federal Income	1,180	0	1,180	588	(593)
State Revenue Sources	3,187	0	3,187	3,290	103
Other Local Revenues	0	0	0	18	18
Int Transfers/Network Support Fee	0	204	204	430	226
Grants and Fundraising	150	225	375	(2)	(377)
Revenues	4,518	429	4,946	4,322	(624)
Compensation	2,343	353	2,695	2,559	137
Non Compensation	1,787	66	1,853	2,043	(190)
Rent	322	0	322	286	36
Network Service Fee	612	0	612	539	73
Expense	5,063	419	5,482	5,427	55
CINA	(545)	9	(535)	(1,105)	(569)

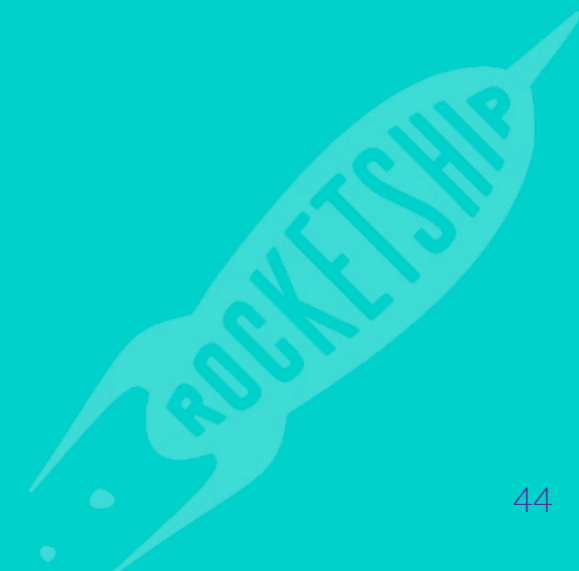
The Milwaukee region shows a Q2 negative CINA variance of \$569K. This is driven by lower than anticipated ESSER and philanthropic revenues which will correct over the course of the year.

MKE September Reforecast

WI	December Reforecast				
	FY23 Budgets				
(\$000)	Total Schools	MKE NeST	Total	Q2 Reforecast	Variance
Federal Income	2,455	0	2,455	2,607	153
State Revenue Sources	6,385	0	6,385	6,372	(13)
Other Local Revenues	0	0	0	18	18
Int Transfers/Network Support Fee	0	410	410	416	6
Grants and Fundraising	300	450	750	752	2
Revenues	9,140	860	9,999	10,164	165
Compensation	4,685	706	5,391	5,065	326
Non Compensation	3,292	133	3,425	4,157	(733)
Rent	643	0	643	572	72
Network Service Fee	1,229	0	1,229	1,247	(18)
Expense	9,849	839	10,688	11,042	(354)
CINA	(710)	21	(689)	(877)	(189)

The updated projection for Milwaukee shows an increase in expenses of approximately \$354K. This is driven by higher than anticipated special education expenses. These expenditures were necessary to provide a high quality, meaningful inclusion model for our special education students.

Financial and Business Operations Update: Texas



RPS-TX Update

Budget:

The RPS Texas board adopted a revised budget in December to reflect the actual enrollment. The budget maintained a positive CINA and projected an ending cash balance of \$1.7M.

The revised budget included \$4.9M in grants and contributions.

Q2 Actuals:

The TX Q2 actuals show a negative CINA of \$1.1M which represents a \$1.1M variance to budget. The negative variance is driven by:

- Timing of philanthropy
- Timing of rent charges
- Non-compensation expenses
 - As a first year school, the non-compensation expenses were more front loaded than was reflected in the budget.
 - We

RPS-TX Board Approved Budget Revision

	RPS-TX FY23 Revised Budget						
(\$000)	Schools	TX NeST	Region	Elim	Revised Budget	Original Budget	Variance
Projected enrollment	300	-	300		300	413	(113)
State Revenue	2,633		2,633		2,633	4,044	(1,411)
Federal Revenue	1,092		1,092		1,092	1,239	(147)
Grants and Contributions		4,923	4,923		4,923	3,500	1,423
Other Local Revenues		132	132	(132)			
Total Revenues	3,726	5,055	8,780	(132)	8,649	8,783	(134)
Certificated Salaries	1,645	390	2,035		2,035	1,794	(242)
Classified Salaries	780	425	1,205		1,205	1,517	312
Employee Benefits	487	164	651		651	825	174
Books and Supplies	934	27	961		961	961	
Food Services	196	11	207		207	278	71
Services and Other Operating Expenses	1,262	161	1,422		1,422	1,422	
Travel and Conferences	3	52	55		55	55	
Dues and Insurance	14	3	17		17	17	
Rental, Leases and Repairs	85		85		85	85	
Facility Fee	865	18	883		883	883	
Management Fee - Region	132		132	(132)			
Management Fee - National	263		263		263	417	154
Total Expenses	6,667	1,250	7,917	(132)	7,785	8,254	469
CINA	(2,942)	3,805	863		863	528	335

Projected Ending Cash Balance

1,651

RPS-TX Q2 Actuals

TX Q2 Actuals				
(\$000)	Annual Budget	Q2 Budget	Q2 YTD Actuals	Variance
Federal Income	1,092	546	386	(160)
State Revenue Sources	2,633	1,317	1,868	551
Other Local Revenues	0	0	1	1
Int Transfers/Network Support Fee	0	0	0	
Grants and Fundraising	4,923	2,461	1,711	(750)
Revenues	8,649	4,324	3,966	(358)
Compensation	3,891	2,140	2,124	16
Non Compensation	2,747	1,648	2,095	(447)
Rent	883	442	666	(224)
Network Service Fee	263	132	187	(55)
Expense	7,785	4,362	5,072	(710)
CINA	863	(38)	(1,105)	(1,068)