



Monday, December 4, 2023
Rocketship Public Schools Audit Committee Meeting (2023-24 Q2)

Meeting Time: 12:30pm

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:

683 Sylvandale Ave, San Jose, CA 95111

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

2215 Ewell Rd, Belmont, CA 94002

185 Spur Ridge Court, Healdsburg CA 95448

1877 Camino A Los Cerros, Menlo Park, CA 94025

222 N Wolfe Rd, Sunnyvale, CA 94085

1. Opening Items

- A. Call to order
- B. Public comment on off-agenda items

2. Consent Items

- A. Approve minutes from the October 23, 2023 Audit Committee meeting

3. Agenda Items

- A. Review and recommend approval of the 22-23 audit to the Rocketship Board of Directors
- B. ASC 842 Training

4. 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.

REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY: Pursuant to the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation to attend or participate in this meeting may request assistance by contacting us at compliance@rsed.org.

SPANISH & VIETNAMESE TRANSLATION: If you need Spanish or Vietnamese audio translation in order to access the Rocketship Board meeting, please send a request to compliance@rsed.org at least 24 hours before the start of the meeting.

If you would like to make a public comment in Spanish or Vietnamese and would like us to translate to English for the Board, please send a request to compliance@rsed.org at least 24 hours before the start of the meeting.

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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 Audit Committee (2023-24 Q2) (Monday, October 23, 2023)

Generated by Cristina Vasquez on Monday, October 30, 2023

1. Opening Items

A. Call to order

At 5:00pm, Ms. Miller took roll call. With a quorum of committee members present, Ms. Miller called the meeting to order.

Present: Courtney Shenberg, Greg Stanger, Julie Miller

Absent: Louis Jordan, Matt Red (advisor)

B. Public comment on off-agenda items

At 5:01pm, Ms. Miller called for public comment on off-agenda items. No comments from the public were made.

2. Consent Items

A. Approve minutes from August 15, 2023 Audit Committee meeting

At 5:02pm, a motion to approve consent items was made by Mr. Stanger, seconded by Ms. Shenberg, and carried unanimously by roll call vote.

Y: Courtney Shenberg, Greg Stanger, Julie Miller

N: --

Abstain: --

3. Agenda Items

A. Review FY2023 403(b) Audit

At 5:03pm, the committee discussed agenda item 3(A). No action was taken.

At 5:04pm, Matt Red joined the meeting.

5. Adjourn

At 5:34pm, a motion to adjourn the meeting was made by Mr. Stanger, seconded by Ms. Shenberg, and carried unanimously by roll call vote.

Y: Courtney Shenberg, Greg Stanger, Julie Miller

N: --

Abstain: --

Board of Directors
Rocketship Education
Redwood City, California

We have audited the financial statements of Rocketship Education Inc. and its Affiliates (RSEA) as of and for the year ended June 30, 2023, and have issued our report thereon dated REPORT DATE. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Appeals Panel, as well as certain information related to the planned scope and timing of our audit in our planning communication dated May 3, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rocketship Education are described in Note 1 to the financial statements.

RSEA changed accounting policies related to the change in accounting principle by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-02, Leases (ASC 842), for the year ended June 30, 2023.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements:

Federal Revenues Receivable	\$71,719	
Unearned Revenue	\$47,340	
State Revenues Receivable		\$119,059

Reconcile Federal and State conditional grants

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated REPORT DATE.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Quality of component auditor's work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Limitations on the group audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Supplementary information in relation to the financial statements as a whole

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated REPORT DATE.

With respect to the Consolidating Statement of Financial Position – Schools, Consolidating Statement of Activities – Schools, Consolidating Statement of Cash Flows – Schools, Schedule of Instructional Time - California, Schedule of Average Daily Attendance – California, and Reconciliation of Annual Financial Report with Audited Financial Statements, (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated REPORT DATE.

The Local Education Agency Organization Structure accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Upcoming auditing standards

Our promise is to get to know you and help you. For your consideration, we provided recent auditing standards applicable to your entity.

Accounting Estimates and Risk Assessment –

- Effective for fiscal years beginning after December 15, 2023. For your entity – June 30, 2024's financial statements.
- Enhanced financial reporting framework surrounding management estimates, including a method, assumptions, and further audit process on the data (Statement on Auditing Standards (SAS) No. 143).
- Enhances the requirements and guidance on identifying and assessing the risks of material misstatement, particularly the areas of understanding the entity's system of internal control and assessing control risk (SAS 145).
- Additional consideration on the entity and its control environment, requiring separate assessment of inherent risk and control risk.
- Expanded testing and disclosures for the use of specialists and pricing information from external information sources.

This communication is intended solely for the information and use of the Board of Directors and management of RSEA and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022)**

OPERATING:

California

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

Tennessee

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

Wisconsin

**Rocketship Southside Community Prep
Rocketship Transformation Prep**

DC

**Rocketship Rise Academy
Rocketship Legacy Prep
Rocketship Infinity Community Prep**

**ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Rocketship Education Inc. and its Affiliates (RSEA), a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RSEA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in the current year the RSEA adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with response to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RSEA's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 RSEA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RSEA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited RSEA's 2022 consolidated financial statements, and we expressed an unmodified opinion on those statements in our report dated December 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on RSEA’s consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, which is the responsibility of management, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying supplementary schedules required by the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel (Local Education Agency Organization Structure, Schedule of Instructional Time, Schedule of Average Daily Attendance, Reconciliation of Annual Financial Report with Audited Financial Statements), which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Rocketship Education, Rocketship Education Wisconsin Inc., Rocketship Education DC Public Charter School Inc, Launchpad Development Company, and Eliminations columns in the consolidated statements of financial position, activities, and cash flows, as well as the accompanying supplementary schedules of the consolidating statements of financial position, activities and cash flows, which are also the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the portion marked “unaudited,” 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. The Local Education Agency Organization Structure, which is marked “unaudited,” has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated REPORT DATE 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
REPORT DATE

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

ASSETS	Rocketship Education	Rocketship Education Wisconsin Inc.	Rocketship Education DC Public Charter School, Inc.	Launchpad Development Company	Eliminations	2023 Total	2022 Total
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 53,474,373	\$ 195,583	\$ 6,435,133	\$ 8,683,978	\$ -	\$ 68,789,067	\$ 48,532,010
Restricted Cash	-	-	-	9,814,305	-	9,814,305	9,720,654
Accounts Receivable	29,754,914	1,929	5,400,399	374,018	-	35,531,260	25,916,680
Grants Receivable	449,000	341,115	50,000	-	-	840,115	15,000
Prepaid Expenses and Other Assets	3,881,557	291,029	1,347,555	386,818	-	5,906,959	6,547,464
Total Current Assets	<u>87,559,844</u>	<u>829,656</u>	<u>13,233,087</u>	<u>19,259,119</u>	<u>-</u>	<u>120,881,706</u>	<u>90,731,808</u>
LONG-TERM ASSETS							
Intracompany Receivable	8,366,269	-	-	-	(8,366,269)	-	-
Security Deposits	459,297	-	-	-	(400,000)	59,297	53,297
Accounts Receivable	-	-	-	-	-	-	8,475
Deferred Rent Asset	-	-	-	14,394,946	(14,394,946)	-	-
Operating Right-of-Use (ROU) Lease Asset	148,778,282	7,578,233	113,221,578	86,358,096	(266,194,054)	89,742,135	-
Property, Plant, and Equipment, Net	5,671,866	319,046	15,130	148,460,811	-	154,466,853	156,960,429
Total Long-Term Assets	<u>163,675,714</u>	<u>7,897,279</u>	<u>113,236,708</u>	<u>249,213,853</u>	<u>(289,355,269)</u>	<u>244,668,285</u>	<u>157,022,201</u>
Total Assets	<u>\$ 251,235,558</u>	<u>\$ 8,726,935</u>	<u>\$ 126,469,795</u>	<u>\$ 268,472,972</u>	<u>\$ (289,355,269)</u>	<u>\$ 365,549,991</u>	<u>\$ 247,754,009</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable and Accrued Liabilities	\$ 11,678,235	\$ 159,996	\$ 3,761,467	\$ 425,301	\$ -	\$ 16,024,999	\$ 14,580,021
Accrued Interest	45,357	-	-	589,870	-	635,227	615,761
Deferred Revenues	19,677,628	-	-	3,462,468	(3,462,468)	19,677,628	5,680,705
Current Portion of Lease Liabilities - Operating	6,609,268	366,093	1,789,648	4,146,345	(7,343,699)	5,567,655	-
Current Portion of Loans Payable	540,439	-	-	7,055,506	-	7,595,945	4,546,870
Total Current Liabilities	<u>38,550,927</u>	<u>526,089</u>	<u>5,551,115</u>	<u>15,679,490</u>	<u>(10,806,167)</u>	<u>49,501,454</u>	<u>25,423,357</u>
LONG-TERM LIABILITIES							
Security Deposits	-	-	-	400,000	(400,000)	-	-
Accrued Interest	170,888	-	-	-	-	170,888	172,481
Deferred Rent Liability	-	-	-	-	-	-	6,711,830
Intracompany Payable	-	4,220,562	3,664,334	481,373	(8,366,269)	-	-
Lease Liabilities - Operating	144,020,403	7,521,004	120,236,530	87,388,812	(269,782,833)	89,383,916	-
Loans Payable	250,000	-	-	175,031,989	-	175,281,989	182,003,696
Total Long-Term Liabilities	<u>144,441,291</u>	<u>11,741,566</u>	<u>123,900,864</u>	<u>263,302,174</u>	<u>(278,549,102)</u>	<u>264,836,793</u>	<u>188,888,007</u>
Total Liabilities	<u>182,992,218</u>	<u>12,267,655</u>	<u>129,451,979</u>	<u>278,981,664</u>	<u>(289,355,269)</u>	<u>314,338,247</u>	<u>214,311,364</u>
NET ASSETS (DEFICIT)							
Without Donor Restriction	68,243,340	(3,579,174)	(2,982,184)	(10,508,692)	-	51,173,290	33,008,787
With Donor Restriction	-	38,454	-	-	-	38,454	433,858
Total Net Assets (Deficit)	<u>68,243,340</u>	<u>(3,540,720)</u>	<u>(2,982,184)</u>	<u>(10,508,692)</u>	<u>-</u>	<u>51,211,744</u>	<u>33,442,645</u>
Total Liabilities And Net Assets	<u>\$ 251,235,558</u>	<u>\$ 8,726,935</u>	<u>\$ 126,469,795</u>	<u>\$ 268,472,972</u>	<u>\$ (289,355,269)</u>	<u>\$ 365,549,991</u>	<u>\$ 247,754,009</u>

See accompanying Notes to Consolidated Financial Statements.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

	Rocketship Education	Rocketship Education Wisconsin Inc.	Rocketship Education DC Public Charter School, Inc.	Launchpad Development Company	Eliminations	2023 Total	2022 Total
NET ASSETS WITHOUT DONOR RESTRICTIONS							
REVENUES							
LCFF State Aid & Property Tax Revenue	\$ 79,949,741	\$ -	\$ -	\$ -	\$ -	\$ 79,949,741	\$ 68,623,477
Apportionment Revenue	20,307,365	6,169,824	24,650,855	-	-	51,128,044	44,700,518
Other State Revenue	35,846,429	182,351	10,086,644	-	-	46,115,424	29,777,584
Federal Revenue	23,662,961	2,666,389	9,115,774	-	-	35,445,124	32,507,563
Other Local Revenue	8,095,758	19,009	1,105,223	25,920,179	(29,666,552)	5,473,617	1,405,104
Contributions	4,490,739	76,909	107,881	-	-	4,675,529	7,075,182
Contributions of Nonfinancial Assets	1,831,229	-	-	-	-	1,831,229	-
Amounts Released from Restriction	350,000	65,000	-	-	-	415,000	17,000
Total Without Donor Restriction Revenues	<u>174,534,222</u>	<u>9,179,482</u>	<u>45,066,377</u>	<u>25,920,179</u>	<u>(29,666,552)</u>	<u>225,033,708</u>	<u>184,106,428</u>
EXPENSES							
Program Expenses:							
Educational Programs	122,998,113	9,029,326	42,282,249	-	(23,142,078)	151,167,610	132,441,662
Program Supports	11,465,346	-	-	18,107,047	-	29,572,393	33,483,700
Supporting Services:							
Administration and General	23,881,148	1,364,909	6,362,587	489,373	(6,524,474)	25,573,543	22,879,450
Fundraising	555,659	-	-	-	-	555,659	507,147
Total Supporting Services	<u>24,436,807</u>	<u>1,364,909</u>	<u>6,362,587</u>	<u>489,373</u>	<u>(6,524,474)</u>	<u>26,129,202</u>	<u>23,386,597</u>
Total Expenses	<u>158,900,266</u>	<u>10,394,235</u>	<u>48,644,836</u>	<u>18,596,420</u>	<u>(29,666,552)</u>	<u>206,869,205</u>	<u>189,311,959</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>15,633,956</u>	<u>(1,214,753)</u>	<u>(3,578,459)</u>	<u>7,323,759</u>	<u>-</u>	<u>18,164,503</u>	<u>(5,205,531)</u>
NET ASSETS WITH DONOR RESTRICTION							
Amounts Released from Restriction	(350,000)	(65,000)	-	-	-	(415,000)	(17,000)
Contributions	-	19,596	-	-	-	19,596	433,858
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTION	<u>(350,000)</u>	<u>(45,404)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(395,404)</u>	<u>416,858</u>
INCREASE (DECREASE) IN NET ASSETS	<u>15,283,956</u>	<u>(1,260,157)</u>	<u>(3,578,459)</u>	<u>7,323,759</u>	<u>-</u>	<u>17,769,099</u>	<u>(4,788,673)</u>
Net Assets (Deficit) - Beginning of Year	<u>52,959,384</u>	<u>(2,280,563)</u>	<u>596,275</u>	<u>(17,832,451)</u>	<u>-</u>	<u>33,442,645</u>	<u>38,231,318</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 68,243,340</u>	<u>\$ (3,540,720)</u>	<u>\$ (2,982,184)</u>	<u>\$ (10,508,692)</u>	<u>\$ -</u>	<u>\$ 51,211,744</u>	<u>\$ 33,442,645</u>

See accompanying Notes to Consolidated Financial Statements.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

	Programs			Management and General	Fundraising	Eliminations	Total 2023 Expenses	Total 2022 Expenses
	Educational Programs	Program Supports	Total					
Salaries	\$ 69,761,477	\$ 8,615,129	\$ 78,376,606	\$ 9,065,949	\$ 356,947	\$ -	\$ 87,799,502	\$ 81,042,560
Employee Benefits	9,073,126	575,110	9,648,236	537,069	57,455	-	10,242,760	9,464,728
Pension	6,498,997	640,955	7,139,952	171,590	-	-	7,311,542	6,416,455
Payroll Taxes	3,502,178	665,636	4,167,814	760,322	-	-	4,928,136	4,223,462
Management Fees	-	-	-	28,719,472	-	(28,719,472)	-	-
District Fee	90,909	-	90,909	1,208,379	-	-	1,299,288	1,642,503
Accounting Expenses	-	-	-	1,306,665	-	-	1,306,665	848,221
Legal Expenses	-	-	-	995,250	-	-	995,250	809,606
Instructional Materials	4,484,651	180,053	4,664,704	-	7,301	-	4,672,005	4,795,970
Other Fees For Services	28,406,486	827,350	29,233,836	3,528,120	66,455	-	32,828,411	24,909,490
Advertising	-	-	-	167,935	-	-	167,935	210,761
Office Expenses	4,080,879	24,847	4,105,726	1,010,493	17,158	-	5,133,377	3,705,681
Information Technology	4,413,211	84,962	4,498,173	965,650	2,838	-	5,466,661	5,960,090
Printing and Postage	217,252	-	217,252	115,233	-	-	332,485	407,136
Occupancy	29,243,394	3,671,975	32,915,369	440,534	9,510	(23,142,078)	10,223,335	11,165,624
Travel	2,200,108	1,229	2,201,337	2,383,443	8,780	-	4,593,560	2,635,011
Conferences and Meetings	3,579	-	3,579	9,779	-	-	13,358	25,654
Insurance	551,822	-	551,822	470,797	-	-	1,022,619	970,539
Bad Debt	-	-	-	2,118,856	-	(2,118,856)	-	-
Depreciation and Amortization	233,959	5,395,115	5,629,074	50,328	-	-	5,679,402	6,801,509
Interest Expense	-	8,501,798	8,501,798	118,349	-	(60,000)	8,560,147	10,943,932
Capital Expenses	6,402	14,535	20,937	-	-	-	20,937	151,922
Grants to School	-	-	-	-	-	-	-	-
Student Food Services	7,269,045	-	7,269,045	-	-	-	7,269,045	5,943,798
Other Expenses	4,272,213	373,699	4,645,912	2,327,658	29,215	-	7,002,785	6,237,307
Subtotal	174,309,688	29,572,393	203,882,081	56,471,871	555,659	(54,040,406)	206,869,205	
Eliminations	(23,142,078)	-	(23,142,078)	(30,898,328)	-	54,040,406	-	
Total 2023	<u>\$ 151,167,610</u>	<u>\$ 29,572,393</u>	<u>\$ 180,740,003</u>	<u>\$ 25,573,543</u>	<u>\$ 555,659</u>	<u>\$ -</u>	<u>\$ 206,869,205</u>	
Total 2022	<u>\$ 101,402,187</u>	<u>\$ 29,008,887</u>	<u>\$ 130,411,074</u>	<u>\$ 17,547,189</u>	<u>\$ 440,860</u>			<u>\$ 189,311,959</u>

See accompanying Notes to Consolidated Financial Statements.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

	Rocketship Education	Rocketship Education Wisconsin Inc.	Rocketship Education DC Public Charter School, Inc.	Launchpad Development Company	Eliminations	2023 Total	2022 Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets	\$ 15,283,956	\$ (1,260,157)	\$ (3,578,459)	\$ 7,323,759	\$ -	\$ 17,769,099	\$ (4,788,673)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	230,778	46,065	7,444	4,745,672	-	5,029,959	4,872,222
Amortization Expense	-	-	-	108,483	-	108,483	2,179,712
Loss/(Gain) on Disposal of Assets	-	-	-	195,091	-	195,091	(77,251)
(Increase) Decrease in Operating Assets:							
Accounts Receivable	(10,832,957)	1,390,525	(647,246)	483,573	-	(9,606,105)	1,020,647
Grants Receivable	(849,000)	(326,115)	(50,000)	-	-	(1,225,115)	2,000
Prepaid Expenses and Other Assets	2,247,270	(266,370)	(1,273,577)	(72,818)	-	634,505	(530,043)
Operating Right-of-Use (ROU) Lease Asset	(148,778,282)	(7,578,233)	(113,221,578)	(86,358,096)	-	(355,936,189)	-
Deferred Rent Asset	-	-	-	(4,861,927)	4,861,927	-	-
Increase (Decrease) in Operating Liabilities:							
Accounts Payable and Accrued Liabilities	1,511,855	(202,371)	1,770,243	(1,681,969)	-	1,397,758	1,952,538
Deferred Revenues	14,008,266	-	-	3,451,125	-	17,459,391	2,738,652
Deferred Rent Liability	(4,535,105)	(90,344)	(3,742,872)	(7,876,528)	(4,861,927)	(21,106,776)	1,166,080
Lease Liabilities - Operating	150,629,671	7,887,097	122,026,178	91,535,157	-	372,078,103	-
Net Cash Provided (Used) by Operating Activities	18,916,452	(399,903)	1,290,133	6,991,522	-	26,798,204	8,535,884
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from Sale of Property, Plant and Equipment	-	-	-	-	-	-	1,079,193
Purchases of Property, Plant, and Equipment	(1,124,779)	(211,208)	-	(1,346,953)	-	(2,682,940)	(1,036,008)
Net Cash Used by Investing Activities	(1,124,779)	(211,208)	-	(1,346,953)	-	(2,682,940)	43,185
CASH FLOWS FROM FINANCING ACTIVITIES							
Intracompany Loans	1,367,053	-	(520,639)	(846,414)	-	-	-
Transfer of Cost of Issuance	-	-	-	16,559	-	16,559	-
Proceeds from Debt	-	-	-	1,058,204	-	1,058,204	43,704,197
Repayment of Debt	(659,857)	-	-	(4,179,462)	-	(4,839,319)	(55,749,388)
Net Cash Provided (Used) by Financing Activities	707,196	-	(520,639)	(3,951,113)	-	(3,764,556)	(12,045,191)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	18,498,869	(611,111)	769,494	1,693,456	-	20,350,708	(3,466,122)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	34,975,504	806,694	5,665,639	16,804,827	-	58,252,664	61,718,786
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 53,474,373</u>	<u>\$ 195,583</u>	<u>\$ 6,435,133</u>	<u>\$ 18,498,283</u>	<u>\$ -</u>	<u>\$ 78,603,372</u>	<u>\$ 58,252,664</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH							
Cash and Cash Equivalents	\$ 53,474,373	\$ 195,583	\$ 6,435,133	\$ 8,683,978	\$ -	\$ 68,789,067	\$ 48,532,010
Restricted Cash	-	-	-	9,814,305	-	9,814,305	9,720,654
Total	<u>\$ 53,474,373</u>	<u>\$ 195,583</u>	<u>\$ 6,435,133</u>	<u>\$ 18,498,283</u>	<u>\$ -</u>	<u>\$ 78,603,372</u>	<u>\$ 58,252,664</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION							
Cash Paid for Interest, Net	\$ 60,122	\$ 60,000	\$ -	\$ 8,328,243	\$ (60,000)	\$ 8,388,365	\$ 11,041,165

See accompanying Notes to Consolidated Financial Statements.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

- ***Rocketship Support Network (RSN)*** – Centralized resources providing management, back-office support and organizational strategy.
- ***Rocketship Mateo Sheedy Elementary (RMS)*** – California charter school
- ***Rocketship Si Se Puede Academy (RSSP)*** – California charter school
- ***Rocketship Los Suenos Academy (RLS)*** – California charter school
- ***Rocketship Mosaic Elementary School (ROMO)*** – California charter school
- ***Rocketship Discovery Prep (RDP)*** – California charter school
- ***Rocketship Brilliant Minds (RBM)*** – California charter school
- ***Rocketship Alma Academy (RSA)*** – California charter school
- ***Rocketship Spark Academy (RSK)*** – California charter school
- ***Rocketship Fuerza Community Prep (RFZ)*** – California charter school
- ***Rocketship Redwood City Prep (RRWC)*** – California charter school
- ***Rocketship Rising Stars (RRS)*** – California charter school
- ***Rocketship Futuro Academy – (RFA)*** California charter school
- ***Rocketship Delta Prep (RDL)*** – California charter school
- ***Rocketship Nashville Northeast Elementary (RNNE)*** – Tennessee charter school
- ***Rocketship United Academy (RUA)*** – Tennessee charter school
- ***Rocketship Dream Community Prep (NASH3)*** – Tennessee charter school

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

Rocketship Education Wisconsin Inc.

RSED incorporated Rocketship Education Wisconsin Inc. (REW), as a nonprofit public benefit corporation in October 2012 to hold the charter for its elementary school in Wisconsin, Rocketship Southside Community Prep (RSCP) and Rocketship Transformation Prep (RTP). Rocketship Education and REW entered into a Network Services Agreement to provide services for the Wisconsin region.

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 three campuses, Rocketship RISE (RISE), Rocketship Legacy Prep (RLP), and Rocketship Infinity Community Prep (RIC).

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 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 Milwaukee One LLC (MLLC1)*** – RSCP facilities
- ***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 Three Nashville LLC (NLLC3)*** – Facilities development
- ***Launchpad Development One DC LLC (DLLC1)*** – RISE facilities
- ***Launchpad Development Two DC LLC (DLLC2)*** – RLP facilities

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

Launchpad Development Company (Continued)

- ***Launchpad Development Three DC LLC (DLLC3)*** – Facilities development
- ***Launchpad Development One TX LLC (TEX01)*** – Facilities development
- ***Launchpad Development Two TX LLC (TEX02)*** – Facilities development

Basis of Accounting

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

Basis of Presentation

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

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

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

Cash and Cash Equivalents

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

Net Asset Classes

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

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes (Continued)

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

Restricted Cash

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

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2023.

Property, Plant, and Equipment

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

Contributions

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

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when RSEA has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2023, RSEA has conditional grants of \$32,249,340 of which \$19,677,628 is recognized as deferred revenue in the statement of financial position.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

Donated Services and In-Kind Contributions

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

Income Taxes

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

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of RSEA. Full-time school staff accrue between 10-15 days of paid vacation per 12-month period based on the employee's years of service and the paid time off (PTO) is paid out in full at the end of the school year. Full-time Network staff accrue between 10-25 days of vacation per 12-month period based on years of service. A maximum of 1.5 times their annual PTO accrual rate may be carried as an accrual balance at any time before an employee reaches their accrual limit.

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, 2022, from which the summarized information was derived.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

RSEA leases school facilities, office space, land, and equipment. RSEA determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the statement of financial position. Finance leases are included in financing ROU assets, and lease liabilities – financing on the statement of financial position.

ROU assets represent RSEA's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the RSEA uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that RSEA will exercise that option. RSEA has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statement of financial position.

RSEA has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

RSEA's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, RSEA considers factors such as if RSEA has obtained substantially all of the rights to the underlying asset through exclusivity, if RSEA can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

RSEA adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

RSEA elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. In addition, RSEA elected the hindsight practical expedient to determine the lease term for existing leases.

As a result of the adoption of the new lease accounting guidance, RSEA recognized on July 1, 2022 a ROU asset at the carrying amount of the operating lease asset of \$66,924,385. RSEA also recognized on July 1, 2022 a lease liability of \$71,547,497, which represents the present value of the remaining finance lease payments discounted using the RSEA's incremental borrowing rate ranging from 3.10 to 3.54%.

Evaluation of Subsequent Events

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

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures were comprised of the following as of June 30, 2023:

Cash and Cash Equivalents	\$ 68,789,067
Accounts Receivable	35,531,260
Grants Receivable	840,115
Less: Net Assets With Donor Restrictions	<u>(38,454)</u>
Financial Assets Available for General Expenditure	<u>\$ 105,121,988</u>

As part of its liquidity management plan, RSEA monitors liquidity required and cash flows to meet operating needs on a monthly basis. RSEA structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CREDIT CONCENTRATION RISK

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

NOTE 4 ACCOUNTS RECEIVABLE

Due from federal and state governments consists of funds due as of June 30, 2023. Management believes that these receivables are fully collectible, therefore no provision was recorded as of June 30, 2023.

NOTE 5 GRANTS RECEIVABLE

Grants receivable of \$899,000 consist of unconditional promises to give. Payments in the amount of \$499,000 are expected to be received during the year ended June 30, 2024 and the remaining \$400,000 is expected to be received in July 2024. As of June 30, 2023 grant amounts connected with these promises to give have been recorded as grants receivable and have been classified as contributions with donor restriction due to implied time restriction. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded.

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT

Property and equipment consisted of the following:

	RSED	LDC	RSEA Total
Land	\$ -	\$ 24,367,995	\$ 24,367,995
Furniture and Equipment	1,034,384	457,532	1,491,916
Buildings	6,418,564	156,348,417	162,766,981
Software	891,364	-	891,364
Other	669,209	1,221,001	1,890,210
Less: Accumulated Depreciation	(3,007,480)	(33,934,134)	(36,941,614)
Total	<u>\$ 6,006,041</u>	<u>\$ 148,460,811</u>	<u>\$ 154,466,852</u>

Depreciation and amortization expense was \$5,027,412 for the year ended June 30, 2023.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 DEBT

Convertible Debt

RSN – Charter School Growth Fund

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

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

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

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

In February 2019, RSN and CSGF amended and restated the 2009 loan agreement (third amendment), modifying debt maturity dates. In June 2020, RSN and CSGF amended and restated the 2009 loan agreement (fourth amendment), modifying debt maturity dates. As of June 30, 2023, balance on this loan is \$750,000. This loan is on a repayment schedule that is fully paid by June 30, 2025.

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%. In June 2020, RSN and CSGF amended and restated the 2015 loan agreement (first amendment), modifying debt maturity dates. As of June 30, 2023, the loans RFZ, RNNE, RRWC, and RUA have been paid off.

Loans Payable

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

As of June 30, 2023, one of Rocketship's California schools Delta Prep has a revolving loan payable to the California School Finance Authority (CSFA) with a balance of \$40,439. This loan has an effective interest rate of 2.41%. Principal is payable over a three-year period, with installment payments deducted from apportionment revenue each year. Final maturity is 2024.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 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 June 2016 and 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. In June 2023, Series 2015A Bond experienced a principal maturity of \$525K.

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). In June 2023, Series 2016A Bond experienced a principal maturity of \$575K.

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).

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 DEBT (CONTINUED)

Loans Payable (Continued)

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

In June 2023, Series 2017 Bonds experienced a principal maturity of \$215K.

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). In June 2023, Series 2017H Bond experienced a principal maturity of \$225K.

MKE2 LLC – IIF Acquisition Loan

In June 2020, the \$900,000 loan was refinanced with another loan from Illinois Investment Fund (IIF) in the amount of \$2.7M to further develop the project. The loan has an interest rate of 5.5% initial rate and matured in July 2022. In June 2022, this \$2.7M loan was amended to extend the maturity date to July 2023. As of June 30 2023, MKE2 LLC – IIF Acquisition Loan had a balance of \$2.7M.

This loan was paid off in July 2023 with a new loan from Charter School Growth Fund.

NASH2 LLC – CIF Acquisition Loan

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

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

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

The Series 2019 Bonds are divided into \$27.14 million Series 2019A Bonds and \$935,000 Series 2019B Bonds (taxable). The Series 2019 Bonds mature between June 2029 and 2056 (Series 2019A) and between June 2020 and 2023 (Series 2019B). In June 2023, Series 2019A Bond experienced a principal maturity of \$140K and Series 2019B Bond experienced a principal maturity of \$180K.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 DEBT (CONTINUED)

Loans Payable (Continued)

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

In February 2021, LDC completed bond financing in the amount of \$28.175 million (the Series 2021 Bonds), proceeds from which were used to fund project expenses and building financing for LLC TWO DC. Interest is paid semi-annually at coupon rates between 4.25% and 5.0%.

The Series 2021 Bonds are divided into \$27.14 million Series 2021A Bonds and \$1.04 million Series 2021B Bonds (taxable). The Series 2021 Bonds mature between June 2026 and 2061 (Series 2021A) and between June 2023 and 2026 (Series 2021B). In June 2023, Series 2021B Bond experienced a principal maturity of \$255K.

LDC – Obligated Group Bonds (Series OG2021A and 2021B) - Refinance

In September 2021, LDC completed bond financing in the amount of \$15.245 million (the Series OG2021 Bonds), proceeds from which were used to pay off Series 2011A and B and Series 2012A and B bonds. This refinancing process was completed on December 1, 2021 with the payoff of the Series 2011 and 2012 bonds.

The Series OG2021 Bonds are divided into \$14.78 million Series OG2021A Bonds and \$465,000 Series OG2021B Bonds (taxable). The Series OG2021 Bonds mature between June 2022 and 2035 (Series 2021A) and in June 2022 (Series 2021B). Interest is paid semi-annually at a coupon rate of 4.00%. In June 2023, Series OG2021 Bonds experienced a principal maturity of \$750K.

LDC – Obligated Group Bonds (Series 2022A and OG2022B) - Refinance

In March 2022, LDC completed bond financing in the amount of \$27.990 million (the Series 2022A and OG2022B Bonds), proceeds from which were used to pay off Series 2014A and B bonds. This refinancing process was completed on June 1, 2022 with the payoff of the Series 2014A and B bonds.

The Series 2022A and OG2022B Bonds are divided into \$27.195 million Series 2022A Bonds and \$795,000 Series OG2022B Bonds (taxable). The Series 2022A and OG2022B Bonds mature between June 2022 and 2042 (Series 2022A) and between June 2023 and 2024 (Series OG2022B). Interest is paid semi-annually at coupon rates between 4.00% and 4.375%. In June 2023, Series 2022A Bonds experienced a principal maturity of \$490K and the Series 2022B Bonds experienced a principal maturity of \$485K.

Amortization expense for cost of issuance and discounts/premiums for all bond series was \$66,412 for the year ended June 30, 2023.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 DEBT (CONTINUED)

Loans Payable (Continued)

Charter Asset Management Line of Credit

In June 2020, RSEA entered into a line of credit facility with Charter Asset Management for a \$5M revolving line of credit, subject to increase to \$10M if the State of California or the Department of Education deferred payment of any funds to be paid to RSEA. Upon execution of this credit facility, Rocketship Education initiated the first draw of \$4M with an initial effective interest rate of 6.0%. As of June 30, 2023, the line of credit balance has been paid off.

Future maturities of debt in summary:

<u>Year Ended June 30,</u>	<u>RSED</u>	<u>LDC</u>	<u>Total</u>
2024	\$ 540,439	\$ 7,055,506	\$ 7,595,945
2025	250,000	4,656,812	4,906,812
2026	-	5,033,392	5,033,392
2027	-	6,235,256	6,235,256
2028	-	5,307,418	5,307,418
Thereafter	-	153,214,596	153,214,596
Subtotal	<u>790,439</u>	<u>181,502,980</u>	<u>182,293,419</u>
Cost of Issuance and Discounts/Premiums	-	584,515	584,515
Total	<u>\$ 790,439</u>	<u>\$ 182,087,495</u>	<u>\$ 182,877,934</u>

NOTE 8 CONTRIBUTIONS OF NONFINANCIAL ASSETS

In October 2012, RSN entered into a five-year agreement 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 agreement was renewed on November 1, 2017. RSEA recognized contributed nonfinancial assets representing in-kind rent for its RSN administrative offices in the amount of \$286,512 during the year ended June 30, 2023.

RSEA also received donations of stock securities recorded at fair value on the date the contribution was received. Total stock donations received were valued at \$1,544,717 for the year ended June 30, 2023.

NOTE 9 LEASES – ASC 842

RSEA leases school and administrative facilities from various related and unrelated parties. Related party leases are between RSEA and LLC subsidiaries of LDC. LDC leases certain school facilities and subleases them to RSEA schools. In addition to facility leases, RSEA leases equipment from unrelated third parties under long-term, non-cancelable lease agreements. The leases expire at various dates through 2058 and provide for renewal options ranging from 1 month to 10 years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 LEASES – ASC 842 (CONTINUED)

Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require RSEA to pay real estate taxes, insurance, and repairs. Some lease agreements also require RSEA to comply with certain covenants and to maintain certain financial ratios. As of June 30, 2023, RSEA believes it was in compliance with all ratios and covenants.

The following table provides quantitative information concerning RSEA's leases for the year ended June 30, 2023:

Lease Costs	
Operating Lease Costs	\$ 6,759,474
Other Information:	
Operating Cash Flows from Operating Leases	\$ 5,333,645
Right-Of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 93,272,638
Weighted-Average Remaining Lease Term - Operating Leases	25.07 years
Weighted-Average Discount Rate - Operating	3.49%

RSEA classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2024	\$ 5,651,362
2025	5,271,603
2026	5,297,045
2027	4,758,386
2028	4,711,949
Thereafter	122,936,918
Total Lease Payments	148,627,263
Less: Present Value Discount	(53,675,692)
Present Value of Lease Liabilities	<u>\$ 94,951,571</u>

NOTE 10 EMPLOYEE RETIREMENT

State Teachers' Retirement System (STRS)

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

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

RSEA contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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, 2022 total STRS plan net assets are \$300 billion, the total actuarial present value of accumulated plan benefits is \$434 billion, contributions from all employers totaled \$6.513 billion, and the plan is 74.4% funded. The Schools 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 10.21% 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. The required employer contribution rate for the year ended June 30, 2023 was 19.10% 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
2021	\$ 4,105,830	100 %
2022	\$ 4,876,240	100 %
2023	\$ 5,488,268	100 %

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 EMPLOYEE RETIREMENT (CONTINUED)

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.

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% 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, 2023 to the Teacher Legacy Pension Plan was 6.81% 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 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, 2023 to the Teacher Retirement Plan were 5.00% 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 financial report that can be obtained at www.treasury.tn.gov/tcrs.

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 EMPLOYEE RETIREMENT (CONTINUED)

Defined Contribution Plan

RSEA offers an Internal Revenue Code Section 403(b) retirement plan to each of its qualifying employees. RSEA matches the lesser of 5% of annual salary or \$2,500. During the year ended June 30, 2023 RSEA contributed \$1,030,306 to this plan.

NOTE 11 RELATED PARTY TRANSACTIONS

Leases

Rocketship Education Inc., Rocketship Education Wisconsin Inc., and Rocketship Education D.C. Public Charter School Inc. have entered into various lease agreements with Launchpad Development Company subsidiary LLCs for its charter facilities. Refer to Note 9 for general lease disclosures.

Rocketship Education Wisconsin Inc. Line of Credit from RSN

Rocketship Education Wisconsin Inc. entered into an unsecured line of credit agreement with RSN that requires quarterly interest payment at LIBOR +250 bps not to exceed 4% with a maturity date of June 30, 2025. The total amount of long term liabilities related to this line of credit was \$1,500,000 as of June 30, 2023.

Management Services

RMS, RSSP, RLS, ROMO, RDP, RBM, RSA, RSK, RFZ, RRWC, RFA, RDL, RNNE, RUA, NASH3, RSCP, RTP, RISE, RLP, AND RIC all receive management and support services from RSN for which they pay management fees.

For the year ended June 30, 2023, management fees were as follows:

Mateo Sheedy	\$ 1,426,264
Si Se Puede	1,159,562
Los Suenos	1,328,227
Mosaic	1,706,885
Discovery	1,228,726
Brilliant Minds	1,688,322
Alma	1,349,967
Spark	1,611,934
Rising Stars	1,763,018
Fuerza Community	1,714,115
Delta Legacy	1,426,902
Futuro	1,520,254
Redwood City	728,944
Nashville NE	1,419,330
United	1,374,208
Dream	808,340
Wisconsin Schools	1,249,279
D.C. Schools	5,215,195
Total	<u>\$ 28,719,472</u>

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 FUNCTIONALIZED EXPENSES

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

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to Specific Purpose:

Comprehensive School Mental Health Systems	\$	38,454
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time as follows for the year ended June 30:

Release of Restrictions		
JetPackEd Innovation	\$	350,000
Recruitment and Retention		50,000
Time Restrictions		15,000
Total Release of Restrictions	<u>\$</u>	<u>415,000</u>

NOTE 14 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.

In the normal course of business, RSEA is subject to legal claims. After consultation with RSEA's legal counsel, management of RSEA is of the opinion that liabilities, if any, arising from such claims would not have a material effect on RSEA's financial position.

SUPPLEMENTARY INFORMATION

DRAFT

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)
UNAUDITED

Rocketship Education, Inc. (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 2028

Rocketship Si Se Puede Academy (RSSP), chartered by the Santa Clara County Office of Education, Charter Number: 1061 – Established 2009, Expires 2025

Rocketship Los Suenos Academy (RLS), chartered by the Santa Clara County Office of Education, Charter Number: 1127 – Established 2009, Expires 2028

Rocketship Mosaic Elementary School (ROMO), chartered by the Franklin-McKinley Elementary School District, Charter Number: 1192 – Established 2011, Expires 2027

Rocketship Discovery Prep (RDP), chartered by the Santa Clara County Office of Education, Charter Number: 1193 – Established 2010, Expires 2027

Rocketship Brilliant Minds (RBM), chartered by the Santa Clara County Office of Education, Charter Number: 1393 – Established 2012, Expires 2025

Rocketship Alma Academy (RSA), chartered by the Santa Clara County Office of Education, Charter Number: 1394 – Established 2012, Expires 2025

Rocketship Spark Academy (RSK), chartered by the Franklin-McKinley Elementary School District, Charter Number: 1526 – Established 2013, Expires 2026

Rocketship Fuerza Community Prep (RFZ), chartered by the Santa Clara County Office of Education, Charter Number: 1687 – Established 2014, Expires 2027

Rocketship Redwood City Prep (RRWC), chartered by the Redwood City Elementary School District, Charter Number: 1736 – Established 2015, Expires 2027

Rocketship Rising Stars (RRS), chartered by the Santa Clara County Office of Education, Charter Number: 1778 – Established 2016, Expires 2027

Rocketship Futuro Academy (RFA), chartered by the State Board of Education, Charter Number: 1805 – Established 2016, Expires 2027

Rocketship Delta Prep (RDL), chartered by the Antioch Unified School District, Charter Number: 1965 – Established 2018, Expires 2026

Tennessee Charter Schools:

Rocketship Nashville Northeast Elementary (RNNE)

Rocketship United Academy (RUA)

Rocketship Dream Community Prep (RDCP)

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

Rocketship Southside Community Prep (RSCP)

Rocketship Transformation Prep (RTP)

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

Rocketship Rise Academy (RISE)

Rocketship Legacy Prep (RLP)

Rocketship Infinity Community Prep (RIC)

**ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 YEAR ENDED JUNE 30, 2023
 (SEE INDEPENDENT AUDITORS' REPORT)
 UNAUDITED**

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expires (2-Year Term)</u>
Louis Jordan	Board Chair	2024
Alex Terman	Treasurer	2023
Greg Stanger	Secretary	2023
Deborah McGriff	Member	2024
Raymond Raven	Member	2023
Ralph Weber	Member	2023
Jolene Slotter	Member	2023
Michael Fox	Member	2023
June Nwabara	Member	2024
Charmaine Detweiler	Member	2024
Daniel Velasco	Member	2023
Yolanda Bernal Samano	Member	2024
Malka Borrego	Member	2023
Julie Miller	Member	2023
Hugo Castaneda	Member	2024
Michelle Mercado	Member	2024
Daniel Sanchez	Member	2024
Deja Gipson	Member	2024
Brian Kilb	Member	2025
Rajen Sheth	Member	2024

ADMINISTRATION

Preston Smith	Co-Founder, CEO and President
Matthew Shaw	Chief Financial Officer
Lynn Liao	Chief Talent Officer
Carolyn Davies Lynch	Chief Operating Officer
Christopher Murphy	Chief Communications Officer
Lamar Wade	Chief People Officer

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SCHOOLS
JUNE 30, 2023

	California							Total Page 1
	RSN	Mateo Sheedy	Si Se Puede	Los Suenos	Mosaic	Discovery	Brilliant Minds	
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 1,019,629	\$ 2,556,455	\$ 2,844,610	\$ 2,120,238	\$ 6,740,653	\$ 1,642,534	\$ 6,774,450	\$ 23,698,569
Restricted Cash	-	-	-	-	-	-	-	-
Accounts Receivable	3,463,464	1,469,545	1,257,232	2,023,680	1,578,765	1,105,811	1,774,210	12,672,707
Grants Receivable	449,000	-	-	-	-	-	-	449,000
Prepaid Expenses and Other Assets	1,496,481	182,609	129,332	135,999	161,504	132,610	152,782	2,391,317
Total Current Assets	6,428,574	4,208,609	4,231,174	4,279,917	8,480,922	2,880,955	8,701,442	39,211,593
LONG-TERM ASSETS								
Grants Receivable	400,000	-	-	-	-	-	-	400,000
Intracompany Receivable	8,970,299	13,893	504	5,851	-	5,851	24,236	9,020,634
Security Deposits	34,297	-	-	100,000	100,000	100,000	-	334,297
Operating Right-of-Use (ROU) Lease Asset	637,536	10,685,337	8,018,915	12,449,031	5,831,240	10,583,285	9,521,052	57,726,396
Property, Plant, and Equipment, Net	1,583,968	994,905	703,975	709,326	500,904	400,264	84,616	4,977,958
Total Long-Term Assets	11,626,100	11,694,135	8,723,394	13,264,208	6,432,144	11,089,400	9,629,904	72,459,285
Total Assets	<u>\$ 18,054,674</u>	<u>\$ 15,902,744</u>	<u>\$ 12,954,568</u>	<u>\$ 17,544,125</u>	<u>\$ 14,913,066</u>	<u>\$ 13,970,355</u>	<u>\$ 18,331,346</u>	<u>\$ 111,670,878</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts Payable and Accrued Liabilities	\$ 4,084,453	\$ 589,669	\$ 423,904	\$ 560,565	\$ 519,509	\$ 872,631	\$ 933,718	\$ 7,984,449
Accrued Interest	45,357	-	-	-	-	-	-	45,357
Deferred Revenue	-	1,208,885	808,118	1,020,925	1,753,454	1,283,562	1,335,371	7,410,315
Current Portion of Lease Liabilities - Operating	348,953	605,761	366,044	239,782	728,758	201,851	416,910	2,908,059
Current Portion of Loans Payable	500,000	-	-	-	-	-	-	500,000
Total Current Liabilities	4,978,763	2,404,315	1,598,066	1,821,272	3,001,721	2,358,044	2,685,999	18,848,180
LONG-TERM LIABILITIES								
Accrued Interest	170,400	-	-	-	-	-	-	170,400
Deferred Rent Liability	-	-	-	-	-	-	-	-
Intracompany Payable	-	-	-	-	614	-	-	614
Lease Liabilities - Operating	300,151	9,275,672	7,902,059	12,200,202	5,516,326	10,418,642	9,844,651	55,457,703
Loans Payable	250,000	-	-	-	-	-	-	250,000
Total Long-Term Liabilities	720,551	9,275,672	7,902,059	12,200,202	5,516,940	10,418,642	9,844,651	55,878,717
Total Liabilities	5,699,314	11,679,987	9,500,125	14,021,474	8,518,661	12,776,686	12,530,650	74,726,897
NET ASSETS (DEFICIT)								
Without Donor Restrictions	12,355,360	4,222,757	3,454,443	3,522,651	6,394,405	1,193,669	5,800,696	36,943,981
With Donor Restrictions	-	-	-	-	-	-	-	-
Total Net Assets (Deficit)	12,355,360	4,222,757	3,454,443	3,522,651	6,394,405	1,193,669	5,800,696	36,943,981
Total Liabilities and Net Assets	<u>\$ 18,054,674</u>	<u>\$ 15,902,744</u>	<u>\$ 12,954,568</u>	<u>\$ 17,544,125</u>	<u>\$ 14,913,066</u>	<u>\$ 13,970,355</u>	<u>\$ 18,331,346</u>	<u>\$ 111,670,878</u>

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SCHOOLS (CONTINUED)
JUNE 30, 2023

	From Page 1	California						Futuro	Total Page 2
		Alma	Spark	Fuerza	Redwood City	Rising Stars	Delta		
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	\$ 23,698,569	\$ 1,493,430	\$ 5,400,041	\$ 7,394,644	\$ 758,756	\$ 7,502,791	\$ 1,048,561	\$ 3,028,786	\$ 50,325,578
Restricted Cash	-	-	-	-	-	-	-	-	-
Accounts Receivable	12,672,707	2,875,902	1,845,519	1,860,805	632,882	2,077,731	2,523,482	1,802,068	26,291,096
Grants Receivable	449,000	-	-	-	-	-	-	-	449,000
Prepaid Expenses and Deposits	2,391,317	142,538	174,911	159,822	133,303	142,324	191,275	191,090	3,526,580
Total Current Assets	39,211,593	4,511,870	7,420,471	9,415,271	1,524,941	9,722,846	3,763,318	5,021,944	80,592,254
LONG-TERM ASSETS									
Grants Receivable	400,000	-	-	-	-	-	-	-	400,000
Intracompany Receivable	9,020,634	-	6,841	79,026	-	6,841	-	-	9,113,342
Security Deposits	334,297	100,000	-	-	-	-	-	25,000	459,297
Operating Right-of-Use (ROU) Lease Asset	57,726,396	5,371,069	10,819,797	8,742,449	71,241	10,702,668	15,972,996	1,240,632	110,647,248
Property, Plant, and Equipment, Net	4,977,958	338,308	150,121	49,399	-	-	2,998	61,590	5,580,374
Total Long-Term Assets	72,459,285	5,809,377	10,976,759	8,870,874	71,241	10,709,509	15,975,994	1,327,222	126,200,261
Total Assets	\$ 111,670,878	\$ 10,321,247	\$ 18,397,230	\$ 18,286,145	\$ 1,596,182	\$ 20,432,355	\$ 19,739,312	\$ 6,349,166	\$ 206,792,515
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts Payable and Accrued Liabilities	\$ 7,984,449	\$ 895,715	\$ 498,344	\$ 273,063	\$ (85,682)	\$ 313,941	\$ 447,161	\$ 649,357	\$ 10,976,348
Accrued Interest	45,357	-	-	-	-	-	-	-	45,357
Deferred Revenue	7,410,315	1,409,871	1,547,923	1,998,796	1,334,427	1,968,240	1,453,764	2,479,381	19,602,717
Current Portion of Lease Liabilities - Operating	2,908,059	551,305	610,405	461,122	50,986	609,974	478,537	403,942	6,074,330
Current Portion of Loans Payable	500,000	-	-	-	-	-	40,439	-	540,439
Total Current Liabilities	18,848,180	2,856,891	2,656,672	2,732,981	1,299,731	2,892,155	2,419,901	3,532,680	37,239,191
LONG-TERM LIABILITIES									
Accrued Interest	170,400	-	-	-	-	-	488	-	170,888
Deferred Rent Liability	-	-	-	-	-	-	-	-	-
Intracompany Payable	614	614	-	-	-	-	-	-	1,228
Lease Liabilities - Operating	55,457,703	4,825,333	9,242,550	9,838,413	14,999	9,243,081	16,531,422	853,362	106,006,863
Loans Payable	250,000	-	-	-	-	-	-	-	250,000
Total Long-Term Liabilities	55,878,717	4,825,947	9,242,550	9,838,413	14,999	9,243,081	16,531,910	853,362	106,428,979
Total Liabilities	74,726,897	7,682,838	11,899,222	12,571,394	1,314,730	12,135,236	18,951,811	4,386,042	143,668,170
NET ASSETS (DEFICIT)									
Without Donor Restrictions	36,943,981	2,638,409	6,498,008	5,714,751	281,452	8,297,119	787,501	1,963,124	63,124,345
With Donor Restrictions	-	-	-	-	-	-	-	-	-
Total Net Assets (Deficit)	36,943,981	2,638,409	6,498,008	5,714,751	281,452	8,297,119	787,501	1,963,124	63,124,345
Total Liabilities and Net Assets	\$ 111,670,878	\$ 10,321,247	\$ 18,397,230	\$ 18,286,145	\$ 1,596,182	\$ 20,432,355	\$ 19,739,312	\$ 6,349,166	\$ 206,792,515

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SCHOOLS (CONTINUED)
JUNE 30, 2023

	Tennessee					Eliminations	RSED Total	Wisconsin	DC	Eliminations	Total
	From Page 2	Nashville NE	United	Partners Community	Dream Community						
ASSETS											
CURRENT ASSETS											
Cash and Cash Equivalents	\$ 50,325,578	\$ 857,883	\$ 4,134,561	\$ (611,825)	\$ (1,231,824)	\$ -	\$ 53,474,373	\$ 195,583	\$ 6,435,133	\$ -	\$ 60,105,089
Restricted Cash	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	26,291,096	1,410,765	1,128,459	-	924,594	-	29,754,914	1,929	5,400,399	-	35,157,242
Grants Receivable	449,000	-	-	-	-	-	449,000	341,115	50,000	-	840,115
Prepaid Expenses and Deposits	3,526,580	98,489	128,147	-	128,341	-	3,881,557	291,029	1,347,555	-	5,520,141
Total Current Assets	<u>80,592,254</u>	<u>2,367,137</u>	<u>5,391,167</u>	<u>(611,825)</u>	<u>(178,889)</u>	<u>-</u>	<u>87,559,844</u>	<u>829,656</u>	<u>13,233,087</u>	<u>-</u>	<u>101,622,587</u>
LONG-TERM ASSETS											
Grants Receivable	400,000	-	-	-	-	-	400,000	-	-	-	400,000
Intracompany Receivable	9,113,342	-	-	-	-	(747,073)	8,366,269	-	-	(7,884,896)	481,373
Security Deposits	459,297	-	-	-	-	-	459,297	-	-	-	459,297
Operating Right-of-Use (ROU) Lease Asset	110,647,248	7,414,138	7,495,715	-	23,221,181	-	148,778,282	7,578,233	113,221,578	-	269,578,093
Property, Plant, and Equipment, Net	5,580,374	75,572	15,920	-	-	-	5,671,866	319,046	15,130	-	6,006,042
Total Long-Term Assets	<u>126,200,261</u>	<u>7,489,710</u>	<u>7,511,635</u>	<u>-</u>	<u>23,221,181</u>	<u>(747,073)</u>	<u>163,675,714</u>	<u>7,897,279</u>	<u>113,236,708</u>	<u>(7,884,896)</u>	<u>276,924,805</u>
Total Assets	<u>\$ 206,792,515</u>	<u>\$ 9,856,847</u>	<u>\$ 12,902,802</u>	<u>\$ (611,825)</u>	<u>\$ 23,042,292</u>	<u>\$ (747,073)</u>	<u>\$ 251,235,558</u>	<u>\$ 8,726,935</u>	<u>\$ 126,469,795</u>	<u>\$ (7,884,896)</u>	<u>\$ 378,547,392</u>
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES											
Accounts Payable and Accrued Liabilities	\$ 10,976,348	\$ 365,317	\$ 207,016	\$ -	\$ 129,554	\$ -	\$ 11,678,235	\$ 159,996	\$ 3,761,467	\$ -	\$ 15,599,698
Accrued Interest	45,357	-	-	-	-	-	45,357	-	-	-	45,357
Deferred Revenue	19,602,717	35,822	39,089	-	-	-	19,677,628	-	-	-	19,677,628
Current Portion of Lease Liabilities - Operating	6,074,330	210,249	225,920	-	98,769	-	6,609,268	366,093	1,789,648	-	8,765,009
Current Portion of Loans Payable	540,439	-	-	-	-	-	540,439	-	-	-	540,439
Total Current Liabilities	<u>37,239,191</u>	<u>611,388</u>	<u>472,025</u>	<u>-</u>	<u>228,323</u>	<u>-</u>	<u>38,550,927</u>	<u>526,089</u>	<u>5,551,115</u>	<u>-</u>	<u>44,628,131</u>
LONG-TERM LIABILITIES											
Accrued Interest	170,888	-	-	-	-	-	170,888	-	-	-	170,888
Deferred Rent Liability	-	-	-	-	-	-	-	-	-	-	-
Intracompany Payable	1,228	283,868	405,259	56,718	-	(747,073)	-	4,220,562	3,664,334	(7,884,896)	-
Lease Liabilities - Operating	106,006,863	7,169,393	7,273,626	-	23,570,521	-	144,020,403	7,521,004	120,236,530	-	271,777,937
Loans Payable	250,000	-	-	-	-	-	250,000	-	-	-	250,000
Total Long-Term Liabilities	<u>106,428,979</u>	<u>7,453,261</u>	<u>7,678,885</u>	<u>56,718</u>	<u>23,570,521</u>	<u>(747,073)</u>	<u>144,441,291</u>	<u>11,741,566</u>	<u>123,900,864</u>	<u>(7,884,896)</u>	<u>272,198,825</u>
Total Liabilities	143,668,170	8,064,649	8,150,910	56,718	23,798,844	(747,073)	182,992,218	12,267,655	129,451,979	(7,884,896)	316,826,956
NET ASSETS (DEFICIT)											
Without Donor Restrictions	63,124,345	1,792,198	4,751,892	(668,543)	(756,552)	-	68,243,340	(3,579,174)	(2,982,184)	-	61,681,982
With Donor Restrictions	-	-	-	-	-	-	-	38,454	-	-	38,454
Total Net Assets (Deficit)	<u>63,124,345</u>	<u>1,792,198</u>	<u>4,751,892</u>	<u>(668,543)</u>	<u>(756,552)</u>	<u>-</u>	<u>68,243,340</u>	<u>(3,540,720)</u>	<u>(2,982,184)</u>	<u>-</u>	<u>61,720,436</u>
Total Liabilities and Net Assets	<u>\$ 206,792,515</u>	<u>\$ 9,856,847</u>	<u>\$ 12,902,802</u>	<u>\$ (611,825)</u>	<u>\$ 23,042,292</u>	<u>\$ (747,073)</u>	<u>\$ 251,235,558</u>	<u>\$ 8,726,935</u>	<u>\$ 126,469,795</u>	<u>\$ (7,884,896)</u>	<u>\$ 378,547,392</u>

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

**ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES – SCHOOLS
YEAR ENDED JUNE 30, 2023**

	California							Total Page 1
	National	Mateo Sheedy	Si Se Puede	Los Suenos	Mosaic	Discovery	Brilliant Minds	
WITHOUT DONOR RESTRICTION								
REVENUES								
LCFF State Aid & Property Tax Revenue	\$ -	\$ 5,712,987	\$ 4,762,216	\$ 5,152,974	\$ 7,630,306	\$ 5,073,544	\$ 7,378,558	\$ 35,710,585
Apportionment Revenue	-	-	-	-	-	-	-	-
Other State Revenue	-	2,939,492	2,194,669	2,313,985	3,194,564	2,723,665	3,237,754	16,604,129
Federal Revenue	247,713	1,519,539	1,331,183	1,918,352	1,467,114	1,219,659	1,507,695	9,211,255
Other Local Revenue	30,233,432	30,244	2,315	(7,092)	(13,632)	(7,476)	(2,493)	30,235,298
Contributions	3,857,580	5,545	16,454	5,884	15,870	1,000	30,000	3,932,333
Contributions of Nonfinancial Assets	1,831,229	-	-	-	-	-	-	1,831,229
Amounts Released from Restriction	350,000	-	-	-	-	-	-	350,000
Total Without Donor Restriction Revenues	36,519,954	10,207,807	8,306,837	9,384,103	12,294,222	9,010,392	12,151,514	97,874,829
EXPENSES								
Program Expenses:								
Educational Programs	-	7,849,060	6,253,862	7,026,107	9,048,639	7,250,055	8,325,499	45,753,222
Program Supports	11,465,346	-	-	-	-	-	-	11,465,346
Supporting Services:								
Administration and General	22,867,339	1,486,515	1,203,481	1,379,863	1,793,405	1,279,148	1,756,984	31,766,735
Fundraising	555,659	-	-	-	-	-	-	555,659
Total Supporting Services	<u>23,422,998</u>	<u>1,486,515</u>	<u>1,203,481</u>	<u>1,379,863</u>	<u>1,793,405</u>	<u>1,279,148</u>	<u>1,756,984</u>	<u>32,322,394</u>
Total Expenses	<u>34,888,344</u>	<u>9,335,575</u>	<u>7,457,343</u>	<u>8,405,970</u>	<u>10,842,044</u>	<u>8,529,203</u>	<u>10,082,483</u>	<u>89,540,962</u>
TRANSFERS	<u>(315,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315,000)</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTION	1,316,610	872,232	849,494	978,133	1,452,178	481,189	2,069,031	8,018,867
NET ASSETS WITH DONOR RESTRICTION								
Amounts Released from Restriction	(350,000)	-	-	-	-	-	-	(350,000)
Contributions	-	-	-	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTION	(350,000)	-	-	-	-	-	-	(350,000)
INCREASE (DECREASE) IN NET ASSETS	966,610	872,232	849,494	978,133	1,452,178	481,189	2,069,031	7,668,867
Net Assets (Deficit) - Beginning of Year	11,388,750	3,350,525	2,604,949	2,544,518	4,942,227	712,480	3,731,665	29,275,114
NET ASSETS (DEFICIT) - END OF YEAR	\$ 12,355,360	\$ 4,222,757	\$ 3,454,443	\$ 3,522,651	\$ 6,394,405	\$ 1,193,669	\$ 5,800,696	\$ 36,943,981

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES – SCHOOLS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	From Page 1	California						Total Page 2	
		Alma	Spark	Fuerza	Redwood City	Rising Stars	Delta		Futuro
WITHOUT DONOR RESTRICTION									
REVENUES									
LCFF State Aid & Property Tax Revenue	\$ 35,710,585	\$ 5,421,528	\$ 7,160,378	\$ 7,357,731	\$ 3,366,788	\$ 7,419,792	\$ 6,473,607	\$ 7,039,332	\$ 79,949,741
Apportionment Revenue	-	-	-	-	-	-	-	-	-
Other State Revenue	16,604,129	2,873,945	2,901,265	3,123,950	1,327,948	3,352,351	2,688,594	2,472,731	35,344,913
Federal Revenue	9,211,255	1,540,994	1,435,843	1,721,024	590,026	1,787,542	920,787	1,351,327	18,558,798
Other Local Revenue	30,235,298	(7,714)	(9,118)	(8,243)	66,664	1,893	1,684	(2,844)	30,277,620
Contributions	3,932,333	3,788	-	18,566	-	-	49,534	31,377	4,035,598
Contributions of Nonfinancial Assets	1,831,229	-	-	-	-	-	-	-	1,831,229
Amounts Released from Restriction	350,000	-	-	-	-	-	-	-	350,000
Total Without Donor Restriction Revenues	97,874,829	9,832,541	11,488,368	12,213,028	5,351,426	12,561,578	10,134,206	10,891,923	170,347,899
EXPENSES									
Program Expenses:									
Educational Programs	45,753,222	8,526,580	8,613,171	8,624,154	4,924,375	8,195,280	8,378,925	8,498,478	101,514,185
Program Supports	11,465,346	-	-	-	-	-	-	-	11,465,346
Supporting Services:									
Administration and General	31,766,735	1,412,287	1,702,579	1,862,738	744,993	1,843,913	1,543,202	1,657,057	42,533,504
Fundraising	555,659	-	-	-	-	-	-	-	555,659
Total Supporting Services	<u>32,322,394</u>	<u>1,412,287</u>	<u>1,702,579</u>	<u>1,862,738</u>	<u>744,993</u>	<u>1,843,913</u>	<u>1,543,202</u>	<u>1,657,057</u>	<u>43,089,163</u>
Total Expenses	<u>89,540,962</u>	<u>9,938,867</u>	<u>10,315,750</u>	<u>10,486,892</u>	<u>5,669,368</u>	<u>10,039,193</u>	<u>9,922,127</u>	<u>10,155,535</u>	<u>156,068,694</u>
TRANSFERS	<u>(315,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTION	8,018,867	(106,326)	1,172,618	1,726,136	(2,942)	2,522,385	212,079	736,388	14,279,205
NET ASSETS WITH DONOR RESTRICTION									
Amounts Released from Restriction	(350,000)	-	-	-	-	-	-	-	(350,000)
Contributions	-	-	-	-	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTION	(350,000)	-	-	-	-	-	-	-	(350,000)
INCREASE (DECREASE) IN NET ASSETS	7,668,867	(106,326)	1,172,618	1,726,136	(2,942)	2,522,385	212,079	736,388	13,929,205
Net Assets (Deficit) - Beginning of Year	29,275,114	2,744,735	5,325,390	3,988,615	284,394	5,774,734	575,422	1,226,736	49,195,140
NET ASSETS (DEFICIT) - END OF YEAR	\$ 36,943,981	\$ 2,638,409	\$ 6,498,008	\$ 5,714,751	\$ 281,452	\$ 8,297,119	\$ 787,501	\$ 1,963,124	\$ 63,124,345

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES – SCHOOLS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	From Page 2	Tennessee				Eliminations	RSED Total	Wisconsin	DC	Eliminations	Total
		Nashville NE	United	Partners Community	Dream Community						
WITHOUT DONOR RESTRICTION											
REVENUES											
LCFF State Aid & Property Tax Revenue	\$ 79,949,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,949,741	\$ -	\$ -	\$ -	\$ 79,949,741
Apportionment Revenue	-	7,666,108	7,581,973	-	5,059,284	-	20,307,365	6,169,824	24,650,855	-	51,128,044
Other State Revenue	35,344,913	200,113	210,686	-	90,717	-	35,846,429	182,351	10,086,644	-	46,115,424
Federal Revenue	18,558,798	2,056,079	1,802,767	-	1,245,317	-	23,662,961	2,666,389	9,115,774	-	35,445,124
Other Local Revenue	30,277,620	6,976	14,524	-	51,636	(22,254,998)	8,095,758	19,009	1,105,223	(6,524,474)	2,695,516
Contributions	4,035,598	169,552	162,787	-	122,802	-	4,490,739	76,909	107,881	-	4,675,529
Contributions of Nonfinancial Assets	1,831,229	-	-	-	-	-	1,831,229	-	-	-	1,831,229
Amounts Released from Restriction	350,000	-	-	-	-	-	350,000	65,000	-	-	415,000
Total Without Donor Restriction Revenues	170,347,899	10,098,828	9,772,737	-	6,569,756	(22,254,998)	174,534,222	9,179,482	45,066,377	(6,524,474)	222,255,607
EXPENSES											
Program Expenses:											
Educational Programs	101,514,185	7,865,798	7,342,681	-	6,275,449	-	122,998,113	9,029,326	42,282,249	-	174,309,688
Program Supports	11,465,346	-	-	-	-	-	11,465,346	-	-	-	11,465,346
Supporting Services:											
Administration and General	42,533,504	1,421,766	1,367,410	-	813,466	(22,254,998)	23,881,148	1,364,909	6,362,587	(6,524,474)	25,084,170
Fundraising	555,659	-	-	-	-	-	555,659	-	-	-	555,659
Total Supporting Services	43,089,163	1,421,766	1,367,410	-	813,466	(22,254,998)	24,436,807	1,364,909	6,362,587	(6,524,474)	25,639,829
Total Expenses	156,068,694	9,287,564	8,710,091	-	7,088,915	(22,254,998)	158,900,266	10,394,235	48,644,836	(6,524,474)	211,414,863
TRANSFERS	-	-	-	-	-	-	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTION	14,279,205	811,264	1,062,646	-	(519,159)	-	15,633,956	(1,214,753)	(3,578,459)	-	10,840,744
NET ASSETS WITH DONOR RESTRICTION											
Amounts Released from Restriction	(350,000)	-	-	-	-	-	(350,000)	(65,000)	-	-	(415,000)
Contributions	-	-	-	-	-	-	-	19,596	-	-	19,596
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTION	(350,000)	-	-	-	-	-	(350,000)	(45,404)	-	-	(395,404)
INCREASE (DECREASE) IN NET ASSETS	13,929,205	811,264	1,062,646	-	(519,159)	-	15,283,956	(1,260,157)	(3,578,459)	-	10,445,340
Net Assets (Deficit) - Beginning of Year	49,195,140	980,934	3,689,246	(668,543)	(237,393)	-	52,959,384	(2,280,563)	596,275	-	51,275,096
NET ASSETS (DEFICIT) - END OF YEAR	\$ 63,124,345	\$ 1,792,198	\$ 4,751,892	\$ (668,543)	\$ (756,552)	\$ -	\$ 68,243,340	\$ (3,540,720)	\$ (2,982,184)	\$ -	\$ 61,720,436

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS – SCHOOLS
YEAR ENDED JUNE 30, 2023

	California							Total Page 1
	National	Mateo Sheedy	Si Se Puede	Los Suenos	Mosaic	Discovery	Brilliant Minds	
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in Net Assets	\$ 966,610	\$ 872,232	\$ 849,494	\$ 978,133	\$ 1,452,178	\$ 481,189	\$ 2,069,031	\$ 7,668,867
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:								
Depreciation	4,263	39,546	27,019	26,745	28,989	26,416	3,400	156,378
(Increase) Decrease in Operating Assets:								
Accounts Receivable	(2,765,595)	(129,155)	(740,721)	(1,816,747)	(691,833)	(240,698)	(1,362,774)	(7,747,523)
Grants Receivable	(849,000)	-	-	-	-	-	-	(849,000)
Prepaid Expenses and Deposits	516,823	628,336	(58,071)	122,073	(109,699)	127,026	(98,606)	1,127,882
Operating Right-of-Use (ROU) Lease Asset	(637,536)	(10,685,337)	(8,018,915)	(12,449,031)	(5,831,240)	(10,583,285)	(9,521,052)	(57,726,396)
Increase (Decrease) in Operating Liabilities:								
Accounts Payable and Accrued Liabilities	1,192,554	102,350	(4,068)	(16,425)	17,307	9,675	88,894	1,390,287
Deferred Revenue	-	730,101	534,795	638,204	1,251,981	834,796	773,357	4,763,234
Deferred Rent Liability	-	-	(274,397)	(52,331)	(468,930)	(147,589)	(829,544)	(1,772,791)
Lease Liabilities - Operating	649,104	9,881,433	8,268,103	12,439,984	6,245,084	10,620,493	10,261,561	58,365,762
Net Cash Provided (Used) by Operating Activities	(922,777)	1,439,506	583,239	(129,395)	1,893,837	1,128,023	1,384,267	5,376,700
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of Property, Plant, and Equipment	(1,082,728)	-	-	-	(9,278)	(1)	-	(1,092,007)
Net Cash Used by Investing Activities	(1,082,728)	-	-	-	(9,278)	(1)	-	(1,092,007)
CASH FLOWS FROM FINANCING ACTIVITIES								
Intracompany Loans	3,583,805	(13,893)	35,514	(5,851)	37,817	(339,372)	38,153	3,336,173
Repayment of Debt	(619,417)	-	-	-	-	-	-	(619,417)
Net Cash Provided (Used) by Financing Activities	2,964,388	(13,893)	35,514	(5,851)	37,817	(339,372)	38,153	2,716,756
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	958,883	1,425,613	618,753	(135,246)	1,922,376	788,650	1,422,420	7,001,449
Cash and Cash Equivalents - Beginning of Year	60,746	1,130,842	2,225,857	2,255,484	4,818,277	853,884	5,352,030	16,697,120
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,019,629</u>	<u>\$ 2,556,455</u>	<u>\$ 2,844,610</u>	<u>\$ 2,120,238</u>	<u>\$ 6,740,653</u>	<u>\$ 1,642,534</u>	<u>\$ 6,774,450</u>	<u>\$ 23,698,569</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION								
Cash Paid for Interest	\$ 59,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,976

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS – SCHOOLS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	From Page 1	California						Futuro	Total Page 2
		Alma	Spark	Fuerza	Redwood City	Rising Stars	Delta		
CASH FLOWS FROM OPERATING ACTIVITIES									
Change in Net Assets	\$ 7,668,867	\$ (106,326)	\$ 1,172,618	\$ 1,726,136	\$ (2,942)	\$ 2,522,385	\$ 212,079	\$ 736,388	\$ 13,929,205
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:									
Depreciation	156,378	13,565	6,297	1,753	-	-	19,500	22,131	219,624
(Increase) Decrease in Operating Assets:									
Accounts Receivable	(7,747,523)	(396,777)	(585,090)	(609,925)	67,103	(931,842)	449,405	(231,335)	(9,985,984)
Grants Receivable	(849,000)	-	-	-	-	-	-	-	(849,000)
Prepaid Expenses and Deposits	1,127,882	(57,866)	762,138	(105,702)	(80,400)	668,621	(128,802)	(72,956)	2,112,915
Operating Right-of-Use (ROU) Lease Asset	(57,726,396)	(5,371,069)	(10,819,797)	(8,742,449)	(71,241)	(10,702,668)	(15,972,996)	(1,240,632)	(110,647,248)
Increase (Decrease) in Operating Liabilities:									
Accounts Payable and Accrued Liabilities	1,390,287	28,096	13,735	34,242	(42,543)	61,077	81,535	187,997	1,754,426
Deferred Revenue	4,763,234	953,532	1,198,218	1,442,944	1,075,995	1,467,318	1,148,379	1,883,735	13,933,355
Deferred Rent Liability	(1,772,791)	(12,372)	-	(1,859,499)	-	-	(1,083,556)	-	(4,528,218)
Lease Liabilities - Operating	58,365,762	5,376,638	9,852,955	10,299,535	65,985	9,853,055	17,009,959	1,257,304	112,081,193
Net Cash Provided (Used) by Operating Activities	5,376,700	427,421	1,601,074	2,387,035	1,011,957	2,937,946	1,735,503	2,542,632	18,020,268
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Property, Plant, and Equipment	(1,092,007)	(9,274)	-	(1)	-	(1)	-	(1)	(1,101,284)
Net Cash Used by Investing Activities	(1,092,007)	(9,274)	-	(1)	-	(1)	-	(1)	(1,101,284)
CASH FLOWS FROM FINANCING ACTIVITIES									
Intracompany Loans	3,336,173	38,153	(6,841)	34,453	(542,338)	(6,841)	(1,085,706)	-	1,767,053
Repayment of Debt	(619,417)	-	-	-	-	-	(40,440)	-	(659,857)
Net Cash Provided (Used) by Financing Activities	2,716,756	38,153	(6,841)	34,453	(542,338)	(6,841)	(1,126,146)	-	1,107,196
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,001,449	456,300	1,594,233	2,421,487	469,619	2,931,104	609,357	2,542,631	18,026,180
Cash and Cash Equivalents - Beginning of Year	16,697,120	1,037,130	3,805,808	4,973,157	289,137	4,571,687	439,204	486,155	32,299,398
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 23,698,569	\$ 1,493,430	\$ 5,400,041	\$ 7,394,644	\$ 758,756	\$ 7,502,791	\$ 1,048,561	\$ 3,028,786	\$ 50,325,578
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION									
Cash Paid for Interest	\$ 59,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146	\$ -	\$ 60,122

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS – SCHOOLS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	From Page 2	Tennessee				RSED Total	Wisconsin	DC	Total
		Nashville NE	United	Partners Community	Dream Community				
CASH FLOWS FROM OPERATING ACTIVITIES									
Change in Net Assets	\$ 13,929,205	\$ 811,264	\$ 1,062,646	\$ -	\$ (519,159)	\$ 15,283,956	\$ (1,260,157)	\$ (3,578,459)	\$ 10,445,340
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:									
Depreciation	219,624	8,815	2,339	-	-	230,778	46,065	7,444	284,287
(Increase) Decrease in Operating Assets:									
Accounts Receivable	(9,985,984)	(144,132)	221,753	-	(924,594)	(10,832,957)	1,390,525	(647,246)	(10,089,678)
Grants Receivable	(849,000)	-	-	-	-	(849,000)	(326,115)	(50,000)	(1,225,115)
Prepaid Expenses and Deposits	2,112,915	71,705	(15,109)	-	77,759	2,247,270	(266,370)	(1,273,577)	707,323
Operating Right-of-Use (ROU) Lease Asset	(110,647,248)	(7,414,138)	(7,495,715)	-	(23,221,181)	(148,778,282)	(7,578,233)	(113,221,578)	(269,578,093)
Increase (Decrease) in Operating Liabilities:									
Accounts Payable and Accrued Liabilities	1,754,426	(117,387)	(189,330)	-	64,146	1,511,855	(202,371)	1,770,243	3,079,727
Deferred Revenue	13,933,355	35,822	39,089	-	-	14,008,266	-	-	14,008,266
Deferred Rent Liability	(4,528,218)	-	(6,887)	-	-	(4,535,105)	(90,344)	(3,742,872)	(8,368,321)
Lease Liabilities - Operating	112,081,193	7,379,642	7,499,546	-	23,669,290	150,629,671	7,887,097	122,026,178	280,542,946
Net Cash Provided (Used) by Operating Activities	18,020,268	631,591	1,118,332	-	(853,739)	18,916,452	(399,903)	1,290,133	19,806,682
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Property, Plant, and Equipment	(1,101,284)	(23,495)	-	-	-	(1,124,779)	(211,208)	-	(1,335,987)
Net Cash Used by Investing Activities	(1,101,284)	(23,495)	-	-	-	(1,124,779)	(211,208)	-	(1,335,987)
CASH FLOWS FROM FINANCING ACTIVITIES									
Intracompany Loans	1,767,053	(400,000)	-	-	-	1,367,053	-	(520,639)	846,414
Repayment of Debt	(659,857)	-	-	-	-	(659,857)	-	-	(659,857)
Net Cash Provided (Used) by Financing Activities	1,107,196	(400,000)	-	-	-	707,196	-	(520,639)	186,557
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,026,180	208,096	1,118,332	-	(853,739)	18,498,869	(611,111)	769,494	18,657,252
Cash and Cash Equivalents - Beginning of Year	32,299,398	649,787	3,016,229	(611,825)	(378,085)	34,975,504	806,694	5,665,639	41,447,837
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 50,325,578</u>	<u>\$ 857,883</u>	<u>\$ 4,134,561</u>	<u>\$ (611,825)</u>	<u>\$ (1,231,824)</u>	<u>\$ 53,474,373</u>	<u>\$ 195,583</u>	<u>\$ 6,435,133</u>	<u>\$ 60,105,089</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION									
Cash Paid for Interest	\$ 60,122	\$ -	\$ -	\$ -	\$ -	\$ 60,122	\$ 60,000	\$ -	\$ 120,122

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

**ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SCHEDULE OF INSTRUCTIONAL TIME – CALIFORNIA
YEAR ENDED JUNE 30, 2023**

	Instructional Minutes		Traditional	Status
	Requirement	Actual	Calendar Days	
K/TK:				
RMS	36,000	59,105	179	In Compliance
RSSP	36,000	59,070	179	In Compliance
RLS	36,000	61,540	179	In Compliance
ROMO	36,000	64,115	179	In Compliance
RDP	36,000	56,815	179	In Compliance
RBM	36,000	61,430	179	In Compliance
RSA	36,000	58,175	179	In Compliance
RSK	36,000	59,070	179	In Compliance
RFZ	36,000	56,815	179	In Compliance
RRWC	36,000	54,290	178	In Compliance
RFA	36,000	56,385	179	In Compliance
RRS	36,000	59,070	179	In Compliance
RDL	36,000	62,255	179	In Compliance
Grade 1:				
RMS	50,400	64,615	179	In Compliance
RSSP	50,400	64,115	179	In Compliance
RLS	50,400	63,830	179	In Compliance
ROMO	50,400	61,860	179	In Compliance
RDP	50,400	63,900	179	In Compliance
RBM	50,400	63,900	179	In Compliance
RSA	50,400	64,545	179	In Compliance
RSK	50,400	65,440	179	In Compliance
RFZ	50,400	64,080	179	In Compliance
RRWC	50,400	63,810	178	In Compliance
RFA	50,400	66,585	179	In Compliance
RRS	50,400	65,440	179	In Compliance
RDL	50,400	65,905	179	In Compliance
Grade 2:				
RMS	50,400	67,515	179	In Compliance
RSSP	50,400	64,115	179	In Compliance
RLS	50,400	66,800	179	In Compliance
ROMO	50,400	64,580	179	In Compliance
RDP	50,400	67,480	179	In Compliance
RBM	50,400	68,160	179	In Compliance
RSA	50,400	66,120	179	In Compliance
RSK	50,400	67,230	179	In Compliance
RFZ	50,400	65,905	179	In Compliance
RRWC	50,400	63,810	178	In Compliance
RFA	50,400	66,585	179	In Compliance
RRS	50,400	68,125	179	In Compliance
RDL	50,400	67,480	179	In Compliance

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SCHEDULE OF INSTRUCTIONAL TIME – CALIFORNIA (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Instructional Minutes		Traditional Calendar	Status
	Requirement	Actual	Days	
Grade 3:				
RMS	50,400	67,515	179	In Compliance
RSSP	50,400	66,335	179	In Compliance
RLS	50,400	67,230	179	In Compliance
ROMO	50,400	65,010	179	In Compliance
RDP	50,400	67,480	179	In Compliance
RBM	50,400	68,160	179	In Compliance
RSA	50,400	66,120	179	In Compliance
RSK	50,400	67,230	179	In Compliance
RFZ	50,400	66,120	179	In Compliance
RRWC	50,400	63,810	178	In Compliance
RFA	50,400	66,585	179	In Compliance
RRS	50,400	69,020	179	In Compliance
RDL	50,400	67,480	179	In Compliance
Grade 4:				
RMS	54,000	67,515	179	In Compliance
RSSP	54,000	67,695	179	In Compliance
RLS	54,000	69,700	179	In Compliance
ROMO	54,000	65,010	179	In Compliance
RDP	54,000	67,480	179	In Compliance
RBM	54,000	68,160	179	In Compliance
RSA	54,000	66,120	179	In Compliance
RSK	54,000	69,020	179	In Compliance
RFZ	54,000	66,120	179	In Compliance
RRWC	54,000	63,810	178	In Compliance
RFA	54,000	66,585	179	In Compliance
RRS	54,000	69,020	179	In Compliance
RDL	54,000	67,480	179	In Compliance
Grade 5:				
RMS	54,000	67,515	179	In Compliance
RSSP	54,000	67,695	179	In Compliance
RLS	54,000	69,700	179	In Compliance
ROMO	54,000	65,010	179	In Compliance
RDP	54,000	67,480	179	In Compliance
RBM	54,000	68,160	179	In Compliance
RSA	54,000	66,120	179	In Compliance
RSK	54,000	69,020	179	In Compliance
RFZ	54,000	66,120	179	In Compliance
RRWC	54,000	63,810	178	In Compliance
RFA	54,000	66,585	179	In Compliance
RDL	54,000	67,480	179	In Compliance

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) - CALIFORNIA
YEAR ENDED JUNE 30, 2023

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades TK/K-3:				
RMS	309.44	309.44	311.41	311.41
RSSP	208.05	208.05	209.65	209.65
RLS	245.49	246.08	250.12	250.69
ROMO	389.88	391.30	393.83	394.99
RDP	246.07	246.07	251.45	251.45
RBM	312.26	312.67	314.18	314.58
RDL	369.64	370.13	366.26	366.62
RSA	337.57	337.57	338.81	338.81
RSK	382.17	382.37	384.36	384.50
RFZ	359.76	359.76	361.83	361.83
RRWC	192.74	192.74	193.88	193.88
RRS	433.92	433.92	438.53	438.53
RFA	425.14	425.34	426.56	426.71
Subtotal	4,212.13	4,215.44	4,240.87	4,243.65
Grades 4-6:				
RMS	136.91	136.91	136.84	136.84
RSSP	74.41	74.41	73.25	73.25
RLS	89.80	89.88	89.94	90.02
ROMO	142.80	143.29	142.94	143.35
RDP	119.79	119.79	119.96	119.96
RBM	136.14	136.20	136.00	136.04
RDL	133.36	133.36	131.88	131.97
RSA	122.87	122.87	122.56	122.56
RSK	123.42	123.45	124.20	124.22
RFZ	142.61	142.61	143.47	143.47
RRWC	85.54	85.54	84.83	84.83
RRS	97.18	97.18	97.60	97.60
RFA	173.61	173.65	173.09	173.12
Subtotal	1,578.44	1,579.14	1,576.56	1,577.23
Grand Total	5,790.57	5,794.58	5,817.43	5,820.88

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

	Mateo Sheedy	Si Se Puede	Los Suenos	Mosaic	Discovery	Brilliant Minds	
June 30, 2023 Annual Financial Report Fund Balances (Net Assets)	\$ 4,222,757	\$ 3,454,443	\$ 3,522,651	\$ 6,394,405	\$ 1,193,669	\$ 5,800,696	
Increase (Decrease) of Fund Balance (Net Assets):							
Cash and cash equivalents	-	-	-	-	-	-	
Accounts receivable	-	-	-	-	-	-	
Operating Right-of-Use (ROU) Lease Asset	-	-	-	-	-	-	
Property, plant & equipment, net	-	-	-	-	-	-	
Accounts payable	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	
Intracompany payable	-	-	-	-	-	-	
Lease Liabilities - Operating	-	-	-	-	-	-	
Net Adjustments and Reclassifications	-	-	-	-	-	-	
June 30, 2023 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 4,222,757</u>	<u>\$ 3,454,443</u>	<u>\$ 3,522,651</u>	<u>\$ 6,394,405</u>	<u>\$ 1,193,669</u>	<u>\$ 5,800,696</u>	
	Alma	Spark	Fuerza	Redwood City	Rising Stars	Delta	Futuro
June 30, 2023 Annual Financial Report Fund Balances (Net Assets)	\$ 2,638,409	\$ 6,498,008	\$ 5,714,751	\$ 277,177	\$ 8,297,119	\$ 787,501	\$ 1,918,206
Increase (Decrease) of Fund Balance (Net Assets):							
Cash and cash equivalents	-	-	-	1,458	-	-	-
Accounts receivable	-	-	-	(411,737)	-	(313,180)	-
Operating Right-of-Use (ROU) Lease Asset	-	-	-	71,241	-	-	1,240,632
Property, plant & equipment, net	-	-	-	-	-	-	61,590
Accounts payable	-	-	-	409,298	-	-	-
Deferred revenue	-	-	-	-	-	313,180	-
Intracompany payable	-	-	-	-	-	-	-
Lease Liabilities - Operating	-	-	-	(65,985)	-	-	(1,257,304)
Net Adjustments and Reclassifications	-	-	-	4,275	-	-	44,918
June 30, 2023 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 2,638,409</u>	<u>\$ 6,498,008</u>	<u>\$ 5,714,751</u>	<u>\$ 281,452</u>	<u>\$ 8,297,119</u>	<u>\$ 787,501</u>	<u>\$ 1,963,124</u>

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

**ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	PTID	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	RDL	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	\$ -	\$ 171,584	\$ 145,990	\$ 168,977	\$ 179,910	\$ 169,995	\$ 204,471	\$ 171,609	\$ 180,218	\$ 1,392,754
ESSA: School Improvement Funding for LEAs	84.010	15438	-	-	-	-	-	-	-	140,331	-	140,331
Metro Nashville Public Schools												
Title I, Part A, Basic Grants												
Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	-	-	-	-
Title I Totals			-	171,584	145,990	168,977	179,910	169,995	204,471	311,940	180,218	1,533,085
Pass Through Program From:												
California Department of Education												
Title II												
Title II Totals	84.367	14341	-	30,526	22,440	28,382	41,783	29,653	23,549	26,938	21,426	224,697
			-	30,526	22,440	28,382	41,783	29,653	23,549	26,938	21,426	224,697
Pass Through Program From:												
California Department of Education												
Title III - Immigrant Education Program												
Title III - Limited English Proficiency	84.365	15146	-	-	-	-	(3,737)	-	-	-	-	(3,737)
Title III Totals	84.365	14356	-	60,443	53,310	60,561	77,775	58,954	69,084	4,029	62,914	447,070
			-	60,443	53,310	60,561	74,038	58,954	69,084	4,029	62,914	443,333
Pass Through Program From:												
California Department of Education												
Title IV, Part A, Student Support & Academic Enrichment												
Title IV Totals	84.424	N/A	-	19,136	18,313	17,652	14,233	13,332	19,763	15,959	14,481	132,869
			-	19,136	18,313	17,652	14,233	13,332	19,763	15,959	14,481	132,869
Pass Through Program From:												
California Department of Education												
Charter School Grant												
Charter School Grant	84.282M	N/A	247,713	-	-	-	-	-	-	-	-	247,713
Pass Through Program From:												
Metro Nashville Public Schools												
Charter School Grant												
Charter School Program Cluster	84.282M	N/A	247,713	-	-	-	-	-	-	-	-	247,713
Pass Through Program From:												
California Department of Education												
Special Education IDEA												
Special Education IDEA	84.027	13379	-	70,321	48,446	58,723	81,918	68,118	76,927	86,029	75,752	566,234
Metro Nashville Public Schools												
Special Education IDEA												
Special IDEA Education Cluster	84.027	N/A	-	70,321	48,446	58,723	81,918	68,118	76,927	86,029	75,752	566,234
Pass Through Program From:												
California Department of Education												
ESSER II												
ESSER III	84.425D	15547	-	70,049	248,262	511,798	94,485	69,809	228,390	-	46,727	1,269,520
Expanded Learning Opportunities (ELO) Grant ESSER III	84.425U	15559	-	755,387	562,563	845,839	605,260	533,764	397,015	223,021	785,080	4,707,929
State Reserve, Emergency Needs	84.425U	15620	-	13,814	-	-	-	-	29,790	-	-	43,604
Expanded Learning Opportunities (ELO) Grant ESSER III	84.425U	15621	-	59,275	-	-	-	-	77,458	-	-	136,733
Metro Nashville Public Schools												
ESSER III												
ESSER Totals	84.425D	N/A	-	898,525	810,825	1,357,637	699,745	603,573	732,653	223,021	831,807	6,157,786
Total U.S. Department of Education			247,713	1,250,535	1,099,324	1,691,932	1,091,627	943,625	1,126,447	667,916	1,186,598	9,305,717

N/A – Not Available

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	PTID	Total Previous Page	RSK	RFZ	RRWC	RRS	RFA	Tennessee	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	\$ 1,392,754	\$ 142,730	\$ 192,492	\$ 108,706	\$ 177,512	\$ 212,843	\$ -	\$ 2,227,037
ESSA: School Improvement Funding for LEAs	84.010	15438	140,331	-	-	-	-	-	237,254	377,585
Metro Nashville Public Schools										
Title I, Part A, Basic Grants										
Low-Income and Neglected	84.010	N/A	-	-	-	-	-	-	923,441	923,441
Low-Income and Neglected Totals			1,533,085	142,730	192,492	108,706	177,512	212,843	1,160,695	3,528,063
Pass Through Program From:										
California Department of Education										
Title II										
Title II Totals	84.367	14341	224,697	29,446	35,227	17,350	33,498	31,293	-	371,511
Title II Totals			224,697	29,446	35,227	17,350	33,498	31,293	-	371,511
Pass Through Program From:										
California Department of Education										
Title III - Immigrant Education Program										
Title III - Limited English Proficiency	84.365	15146	(3,737)	-	-	-	-	-	-	(3,737)
Title III Totals	84.365	14356	447,070	65,271	69,054	20,753	64,410	63,388	-	729,946
Title III Totals			443,333	65,271	69,054	20,753	64,410	63,388	-	726,209
Pass Through Program From:										
California Department of Education										
Title IV, Part A, Student Support & Academic Enrichment										
Title IV Totals	84.424	N/A	132,869	12,328	15,397	10,000	18,032	16,693	-	205,319
Title IV Totals			132,869	12,328	15,397	10,000	18,032	16,693	-	205,319
Pass Through Program From:										
California Department of Education										
Charter School Grant										
Charter School Grant	84.282M	N/A	247,713	-	-	-	-	-	-	247,713
Pass Through Program From:										
Metro Nashville Public Schools										
Charter School Grant										
Charter School Program Cluster	84.282M	N/A	-	-	-	-	-	-	676,894	676,894
Charter School Program Cluster			247,713	-	-	-	-	-	676,894	924,607
Pass Through Program From:										
California Department of Education										
Special Education IDEA										
Special Education IDEA	84.027	13379	566,234	83,827	84,854	45,217	89,259	95,131	-	964,522
Metro Nashville Public Schools										
Special Education IDEA										
Special IDEA Education Cluster	84.027	N/A	-	-	-	-	-	-	219,974	219,974
Special IDEA Education Cluster			566,234	83,827	84,854	45,217	89,259	95,131	219,974	1,184,496
Pass Through Program From:										
California Department of Education										
ESSER II										
ESSER II	84.425D	15547	1,269,520	174,979	282,884	200,537	374,214	57,984	-	2,360,118
ESSER III	84.425U	15559	4,707,929	599,844	661,185	-	719,589	573,101	-	7,261,648
Expanded Learning Opportunities (ELO) Grant ESSER III										
State Reserve, Emergency Needs	84.425U	15620	43,604	-	-	-	-	-	-	43,604
Expanded Learning Opportunities (ELO) Grant ESSER III										
State Reserve, Learning Loss	84.425U	15621	136,733	-	35,873	-	-	-	-	172,606
Metro Nashville Public Schools										
ESSER II										
ESSER II	84.425D	N/A	-	-	-	-	-	-	1,822,969	1,822,969
ESSER Totals			6,157,786	774,823	979,942	200,537	1,093,803	631,085	1,822,969	11,660,945
Total U.S. Department of Education			9,305,717	1,108,425	1,376,966	402,563	1,476,514	1,050,433	3,880,532	18,601,150

N/A – Not Available

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	PTID	RSN	RMS	RSSP	RLS	ROMO	RDP	RBM	RDL	RSA	Total Page	
U.S. Department of Agriculture:													
Pass Through Program From													
California Department of Education National School Lunch Program	10.555	N/A	-	165,769	148,247	172,533	225,927	177,647	213,098	165,652	211,914	1,480,787	
Metro Nashville Public Schools National School Lunch Program	10.555	N/A	-	-	-	-	-	-	-	-	-	-	
National School Lunch Program Totals			-	165,769	148,247	172,533	225,927	177,647	213,098	165,652	211,914	1,480,787	
Pass Through Program From:													
California Department of Education													
School Breakfast Program	10.553	N/A	-	99,380	80,165	49,875	144,306	94,256	163,195	83,367	137,554	852,098	
NSLP Commodities	10.553	N/A	-	3,855	3,447	4,012	5,254	4,131	4,955	3,852	4,928	34,434	
Metro Nashville Public Schools													
School Breakfast Program	10.553	N/A	-	-	-	-	-	-	-	-	-	-	
School Breakfast Program and Commodities Totals			-	103,235	83,612	53,887	149,560	98,387	168,150	87,219	142,482	886,532	
Child Nutrition Cluster			-	269,004	231,859	226,420	375,487	276,034	381,248	252,871	354,396	2,367,319	
Total U.S. Department of Agriculture			-	269,004	231,859	226,420	375,487	276,034	381,248	252,871	354,396	2,367,319	
Total Federal Expenditures			<u>\$</u>	<u>247,713</u>	<u>\$ 1,519,539</u>	<u>\$ 1,331,183</u>	<u>\$ 1,918,352</u>	<u>\$ 1,467,114</u>	<u>\$ 1,219,659</u>	<u>\$ 1,507,695</u>	<u>\$ 920,787</u>	<u>\$ 1,540,994</u>	<u>\$ 11,673,036</u>

N/A – Not Available

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	PTID	Total Previous Page	RSK	RFZ	RRWC	RRS	RFA	Tennessee	Federal Expenditures
U.S. Department of Agriculture:										
Pass Through Program From:										
California Department of Education National School Lunch Program	10.555	N/A	1,480,787	190,575	241,535	132,233	209,407	186,833	-	2,441,370
Metro Nashville Public Schools National School Lunch Program	10.555	N/A	-	-	-	-	-	-	745,915	745,915
National School Lunch Program Totals			1,480,787	190,575	241,535	132,233	209,407	186,833	745,915	3,187,285
Pass Through Program From:										
California Department of Education School Breakfast Program	10.553	N/A	852,098	132,411	96,906	52,155	96,751	109,716	-	1,340,037
NSLP Commodities	10.553	N/A	34,434	4,432	5,617	3,075	4,870	4,345	-	56,773
Metro Nashville Public Schools School Breakfast Program	10.553	N/A	-	-	-	-	-	-	477,716	477,716
School Breakfast Program and Commodities Totals			886,532	136,843	102,523	55,230	101,621	114,061	477,716	1,874,526
Child Nutrition Cluster			2,367,319	327,418	344,058	187,463	311,028	300,894	1,223,631	5,061,811
Total U.S. Department of Agriculture			2,367,319	327,418	344,058	187,463	311,028	300,894	1,223,631	5,061,811
Total Federal Expenditures			<u>\$ 11,673,036</u>	<u>\$ 1,435,843</u>	<u>\$ 1,721,024</u>	<u>\$ 590,026</u>	<u>\$ 1,787,542</u>	<u>\$ 1,351,327</u>	<u>\$ 5,104,163</u>	<u>\$ 23,662,961</u>

N/A – Not Available

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

ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023

PURPOSE OF SCHEDULES

NOTE 1 CONSOLIDATING STATEMENTS

These statements provide detailed financial information of each charter school.

NOTE 2 SCHEDULE OF INSTRUCTIONAL TIME – 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 – CALIFORNIA

Average daily attendance is a measurement of the number of pupils attending classes of the California schools. 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, 2023. 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). Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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.

NOTE 6 INDIRECT COST RATE

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

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

Board of Directors
Rocketship Education, Inc. 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, 2023, 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 REPORT DATE.

Report on 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

DRAFT

**INDEPENDENT AUDITORS' 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, Inc. and its Affiliates
Redwood City, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rocketship Education, Inc. and its Affiliates' (RSEA) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of RSEA's major federal programs for the year ended June 30, 2023. RSEA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, RSEA complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of RSEA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of RSEA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to RSEA's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on RSEA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about RSEA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding RSEA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of RSEA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 RSEA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
REPORT DATE

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER STATE COMPLIANCE – CALIFORNIA

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

Report on Compliance

Opinion on State Compliance

We have audited Rocketship Education and its Affiliates' (RSEA) compliance with the types of compliance requirements applicable to RSEA described in the *2022-2023 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, 2023. The RSEA's applicable State compliance requirements are identified in the table below.

In our opinion, RSEA complied, in all material respects, with the compliance requirements referred to above that are applicable to RSEA for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of RSEA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of RSEA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to RSEA's state programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on RSEA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about RSEA's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to below and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable ¹
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable ²
Immunizations	Not Applicable ³
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant (CTEIG)	Not Applicable ⁴
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable ⁵
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Not Applicable¹: RSEA did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable²: RSEA did not report ADA pursuant to Education Code section 51749.5.

Not Applicable³: RSEA did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable⁴: RSEA did not receive a CTEIG allocation for the audit year.

Not Applicable⁵: RSEA did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study).

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each state program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on RSEA's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. RSEA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Board of Directors
Rocketship Education, Inc. and its Affiliates

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

DRAFT

**ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

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? _____ yes _____ X _____ no
 - Significant deficiency(ies) identified? _____ yes _____ X _____ none reported
3. Noncompliance material to financial statements noted? _____ yes _____ X _____ no

Federal Awards

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

Identification of Major Federal Programs

Assistance Listing Number(s)

84.425D
84.425U
84.010
10.555, 10.553
84.282M

Name of Federal Program or Cluster

Elementary and Secondary School Emergency Relief (ESSER) Fund (ESSER II, III)
ESSER III
Title I, Part A, Basic Grants Low-Income and Neglected
Child Nutrition Cluster
Charter School Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ \$750,000

Auditee qualified as low-risk auditee? _____ X _____ yes _____ no

**ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results (Continued)

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

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

Section II – Financial Statement Findings

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

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

2023-001	Transitional Kindergarten	40000
Rocketship Delta Prep (RDL) #1965		
Rocketship Alma Academy (RSA) #1394		
Rocketship Mateo Sheedy Elementary (RMS) #0850		
Rocketship Spark Academy (RSK) #1526		

Criteria: Per California Education Code section 48000(g)(1), charter schools must maintain average transitional kindergarten class enrollment of not more than 24 pupils for each schoolsite. Additionally, per Education Code section 48000(g)(2) schools must maintain an average of at least one adult for every 12 pupils.

**ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section IV – Findings and Questioned Costs – State Compliance (Continued)

2023-001 Transitional Kindergarten (Continued)

40000

Condition: During transitional kindergarten testing we noted RDL, RSA, RMS and RSK did not meet the transitional kindergarten class enrollment of not more than 24 pupils for each schoolsite. In addition, RMS and RSK did not meet the adult to pupil ratio requirement of not more than one adult for every 12 pupils.

Effect: RDL, RSA, RMS, and RSK are not in compliance with California Education Code requirements which resulted in the following penalties:

Average Class Enrollment - Penalty Calculations				
	RDL	RSA	RMS	RSK
TK ADA per P2	21.39	23.79	23.79	27.24
Penalty Rate	\$ 953.00	\$ 953.00	\$ 953.00	\$ 953.00
Questioned Costs	\$ 20,384.67	\$ 22,671.87	\$ 22,671.87	\$ 25,959.72

Adult to Pupil Ratio - Penalty Calculations		
	RMS	RSK
Number of Additional Adults Needed to Meet the Requirement	0.1	0.1
Twenty-four, reduced by the statewide avg. rate of absence	21.9984	21.9984
TK Average Daily Attendance Add-On Rate	\$ 2,813.00	\$ 2,813.00
Questioned Costs	\$ 6,188.15	\$ 6,188.15

Cause: Staffing shortages resulting in limited resources to decrease class sizes.

Questioned costs: See penalty calculations in the “effect” section above.

Repeat Finding: This is not a repeat finding.

Corrective Action Plan: For the 2023-2024 school year, Rocketship Education has hired sufficient TK staff to ensure proper adult to pupil ratios and has managed enrollment to ensure that TK class size is under the maximum class size at all times.

**ROCKETSHIP EDUCATION, INC. AND ITS AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

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.

STATE COMPLIANCE

2022-001 Immunizations

40000

**Rocketship Si Se Puede Academy (RSSP) #1061
Rocketship Los Suenos Academy (RLS) #1127
Rocketship Discovery Prep (RDP) #1193**

Criteria: Title 17, California Code of Regulations section 6025 requires that pupils enrolled in K, TK or 1st Grade for the year audited received two doses of a varicella vaccine and two doses of a measles vaccine prior to admission, or have a current medical exemption from varicella and measles immunization on file. For students with only one dose of either vaccine received prior to admission, the second dose is required within four calendar months otherwise, the pupil should be excluded from attendance.

Condition: During immunizations testing, one student at RSSP was found that did not receive the second dose of the varicella and measles vaccine within four calendar months and was included in attendance. For RLS and RDP, one student at each charter school did not have either vaccination or exemption on file and the pupils were included in attendance.

Status: Not applicable, RSEA did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.



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Rocketship Education and Affiliates (RSEA)

Audit Presentation

Year ended June 30, 2023

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Executive Summary

Results of Professional Services

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Results of Professional Services

Accounting Policy Changes

- RSEA adopted FASB ASU 2016-02, Leases as of 7/1/22.
- Resulted in recognition of right-of-use (ROU) asset and lease liability for all leases over 1 year

Audit Adjustments

- No audit adjustments, various post close adjustments recorded.
- One Passed Adjustment noted for reconciling receivables and deferred revenue, net impact approx. \$46k

New Audit Standards –more details in slide 22

- Effective for RSEA year ending June 30, 2024
- Enhanced financial reporting framework surrounding management estimates, including a method, assumptions, and further audit process on the data (Statement on Auditing Standards (SAS) No. 143).
- Enhances the requirements and guidance on identifying and assessing the risks of material misstatement, particularly the areas of understanding the entity's system of internal control and assessing control risk (SAS 145).
- Additional consideration on the entity and its control environment, requiring separate assessment of inherent risk and control risk.
- Expanded testing and disclosures for the use of specialists and pricing information from external information sources.

Audit Opinion

- Financial Statement Audit – Unmodified
- Single Audit – Unmodified
- State Compliance – Clean opinion, one state compliance finding related to transitional kindergarten

Audit Communication

- No material weaknesses identified
- No significant deficiencies identified





Your Business

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Financial Highlights

Current Ratio

- Measures ability to pay off short-term obligations
- Consolidated: 2.44
- RSED: 2.27
- WI: 1.58
- DC: 2.38
- LDC: 1.23

Months of Cash

- Quick snapshot of the organizations “survival time” were it to lose future funding or become unable to generate short-term revenue
- Consolidated: 4.10
- RSED: 4.04
- WI: 0.23
- DC: 1.59
- LDC: 7.69



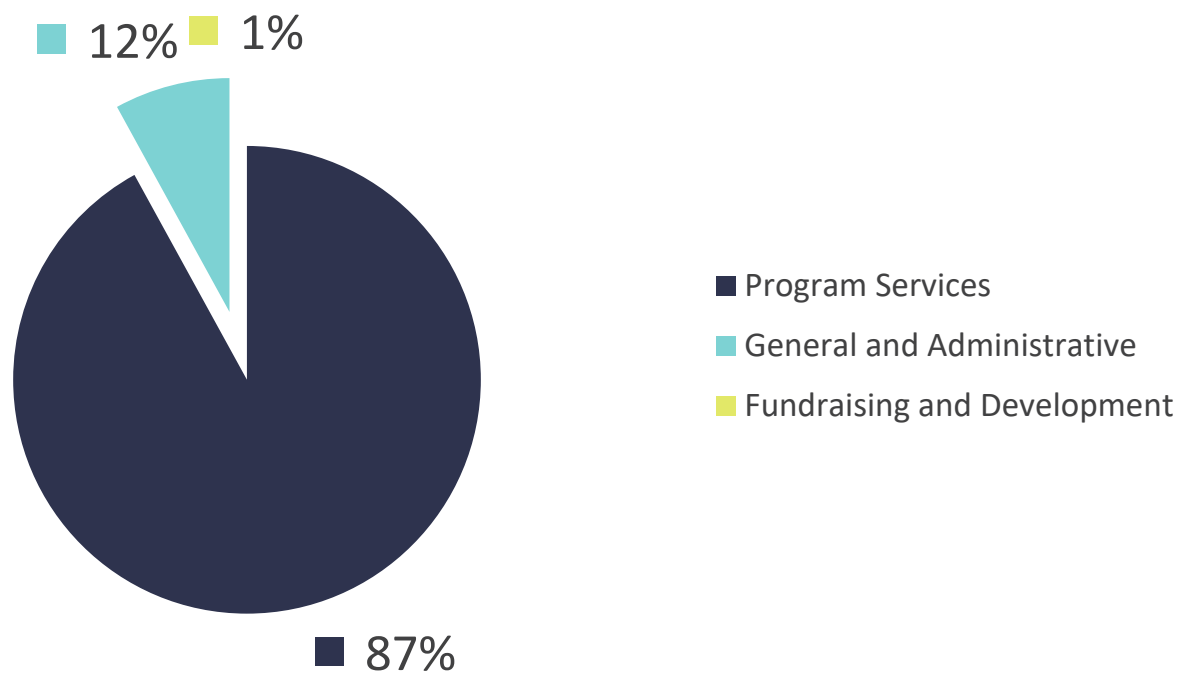
Financial Highlights

- 2023 increase in net assets of over \$17.7M
- ASC 842 balances – ROU Assets and Lease Liabilities (eliminated for balances relating to leases with Launchpad Development Company)
- Increase in cash of over \$20.3M



Financial Highlights

Functional Expenses (Consolidated)





Creating Opportunities

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CLA Resources and Publications

- Be Prepared for Increasing Cybersecurity Challenges in your Nonprofit: https://blogs.claconnect.com/nonprofitinnovation/be-prepared-for-increasing-cybersecurity-challenges-in-your-nonprofit/?_ga=2.18478329.1775198783.1697999516-962023105.1693242786
- A Future-Forward Mindset Can Help Nonprofits Thrive in Difficult Times: <https://www.claconnect.com/en/resources/articles/2023/a-future-forward-mindset-can-help-nonprofits-thrive-in-difficult-times>
- Opportunity for Nonprofit Employers to Provide Educational Benefits: https://blogs.claconnect.com/nonprofitinnovation/opportunity-for-nonprofit-employers-to-provide-educational-benefits/?_ga=2.9624821.1775198783.1697999516-962023105.1693242786



Clean Energy Credits To Consider

- The investment tax credit (IRC §48). Applies to the purchase, construction, or installation of a broad range of items such as solar panels, geothermal systems, combined heat and power systems, and electrochromic glass, just to name a few.
- Credit for qualified commercial clean vehicles (IRC §45W). Applies to new electric vehicle purchases or leases.
- Alternative fuel vehicle refueling property credit (IRC §30C). Applies to several types of alternative fueling stations, including electric vehicle charge stations installed on nonprofit premises.





Preview of Expected State Compliance Changes

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Preliminary Changes Expected – 23/24

- Ca Clean Energy – expected to be removed 3/2024
- Immunizations - expect to remove testing for grades 1st and 8th grade (testing K and 7th)
- ELO-P - expected to add guidance indicating school closures will need to be verified against a board resolution documenting the closure in addition to documentation substantiating the need for closure. This will result in no penalty as a result of the emergency closure.
- TK – expect to add testing of early enrollment children for reduced ratio requirements of 20:1 and 10:1.



Preliminary Changes Expected – 23/24

- New section to be tested: Arts and Music in Schools (Proposition 28)
 - Check certifications were made
 - LEA posted on its website board adopted report required under Ed Code section 8820(g)(4)
 - Funds used to supplement existing funds available for arts education programs.
 - Testing of expenditures (might not be in 23/24)
 - Expenditures testing that that no more than 20 percent of the expenditures (Resource 6770) for the allocation year were used for allowable purposes other than certificated or classified salaries and benefits for arts education program instruction and no more than 1 percent of the total funding received in the allocation year (Resource 6770) was used for administrative expenses, including indirect costs. (20% waiver can be obtained)



Preliminary Changes – 24/25

- In-Person Instruction Grant
 - Expect to verify the LEA submitted the expenditure report to CDE pursuant to Education Code section 43523(c)
- Schedule of Instructional Time – J13A
 - Expecting to add requirement that a finding be reported if the school's J13A is not approved by the CDE by the time the audit report is issued as the school does not meet minimum requirements without it.



Preliminary Changes – 24/25

- Immunizations
 - Expected change for medical exemptions: will be required to be issued through the California Immunization Registry - Medical Exemption website (Form IMM-1288)
- ELO-P
 - Verification that all program staff and volunteers were subject to health screening and fingerprinting clearance requirements.
 - If the LEA contracted with a third-party to operate a program, verification the LEA complied with the following: The contract required the third-party to notify the LEA by the next working day following, and to submit a written report within seven days of, the occurrence of any health- or safety related issues, including, but not limited to, issues involving criminal background clearances for employees, building safety, and any event specified in subdivision (c) pursuant to EC section 8483.4(b).
 - The LEA required the third party to request from parents or guardians pupil health information, such as whether a pupil has allergies or asthma, before pupil enrollment pursuant to EC section 8483.4(d).





Appendix



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Required Communications

Topic	Communication
Our Responsibility Under Generally Accepted Auditing Standards	<ul style="list-style-type: none"> Express an opinion on the fair presentation of the financial statements in conformity with GAAP Plan and perform the audit to obtain reasonable (a high level), but not absolute, assurance that the financial statements as a whole are free from material misstatement Obtain an understanding of internal control over financial reporting Utilize a risk-based audit approach Evaluate accounting policies and significant accounting estimates Conclude whether there is substantial doubt about the entity's ability to continue as a going concern Communicate significant matters to appropriate parties
Planned Scope and Timing of the Audit	<ul style="list-style-type: none"> Performed the audit according to the planned scope and timing previously communicated via the planning communication dated May 3, 2023
Other Information Included in Annual Reports	<ul style="list-style-type: none"> Financial statements may only be used in their entirety Our approval is required to use our audit report in a client prepared document We are required to read other information and consider whether a material inconsistency exists between the other information and the financial statements



Required Communications

Topic	Communication
Significant Accounting Policies	<ul style="list-style-type: none"> • Management is responsible for the accounting policies of the organization • Accounting policies are outlined in Note 1 to the financial statements • Significant changes to the accounting policies during the year – adoption of ASC 842 Leases in the year ended June 30, 2023. • Accounting policies deemed appropriate
Significant Accounting Estimates	<ul style="list-style-type: none"> • An area of focus under a risk-based audit approach • Estimates determined by management based on their knowledge and experience • No management bias indicated • Estimates were deemed reasonable
Significant Financial Statement Disclosures	<ul style="list-style-type: none"> • Leases – ASC 842
Significant Unusual Transactions	<ul style="list-style-type: none"> • No significant unusual transactions

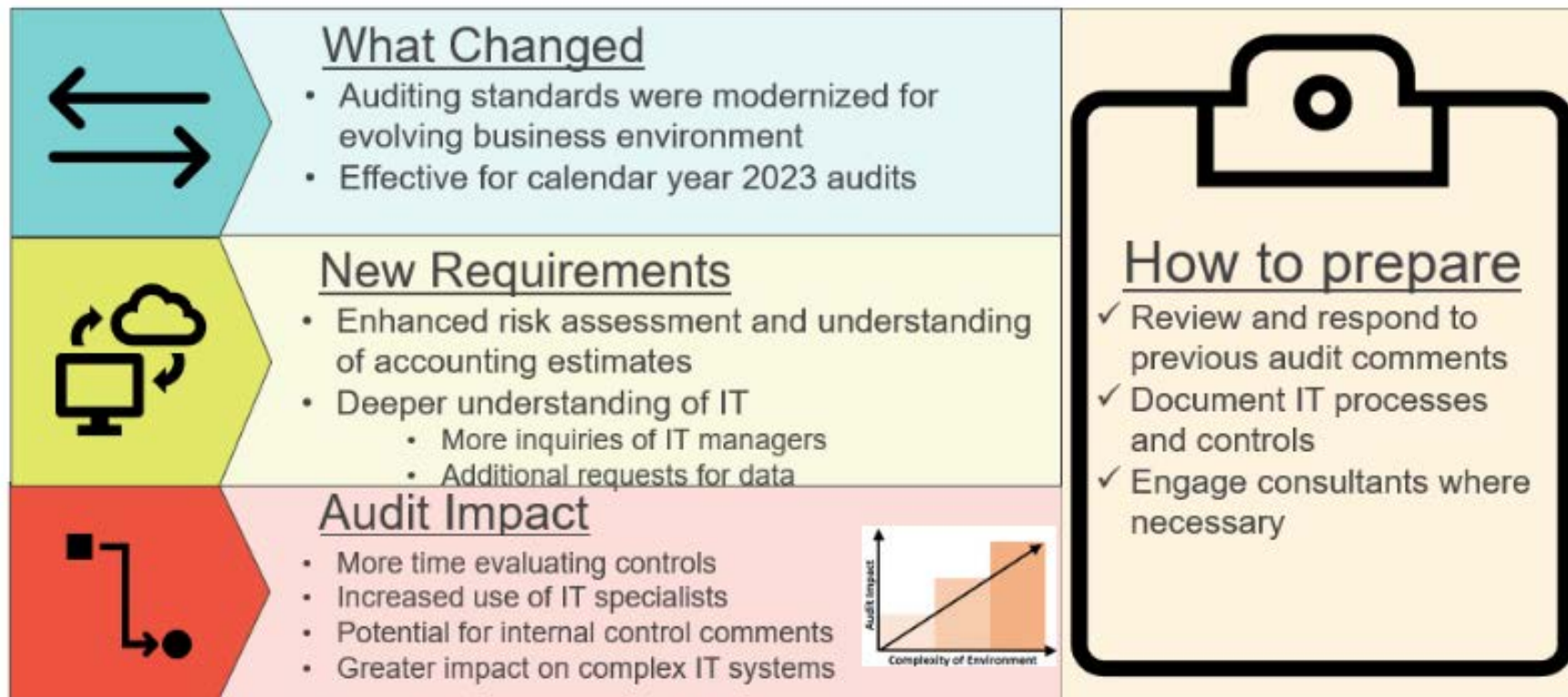


Required Communications

Topic	Communication
Supplementary Information	<ul style="list-style-type: none"> • Supplementary schedules • Engaged to report in relation to the financial statements as a whole • Method of preparing has not changed from the prior year • Supplementary information reconciles to financial statements • Supplementary information is appropriate and complete in relation to our audit
Management Representation Letter	<ul style="list-style-type: none"> • Management will provide signed representation letter prior to finalization of the audit report
Other	<ul style="list-style-type: none"> • No difficulties encountered in performing the audit • No issues discussed prior to retention as independent auditors • No disagreements with management regarding accounting, reporting, or other matters • No management consultations with other independent auditors • No difficult or contentious matters requiring consultations outside of the engagement team • State compliance finding for transitional kindergarten; no other findings or issues were discussed with, or communicated to, management
Form and Content of the Auditors' Report	<ul style="list-style-type: none"> • Unmodified opinion



New Auditing Standards



New Auditing Standards – questions to help prepare for implementation

The answers to these questions will help us anticipate the level of effort needed for implementation of the audit standards mentioned in the previous slide.

- Is your financial system a custom solution and/or do you have access to change source code?
- Do you have financial systems other than the GL that you rely on?
- Have you implemented a new financial system or new software modules within the past year?
- Do you prepare financial statements outside of the General Ledger/Financial system?
- Do you formally review user access and segregation of duties within the financial system?
- Do you have a patch and upgrade management process?
- Have you had a cybersecurity breach or incident within the past year?
- Do you have written policies over your information technology internal controls?

Do you have written internal controls over your IT system, if not we can help. Having stated controls will help speed up our documentation process and may avoid potential management comments.



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Understanding the New Lease Standard

ASC Topic 842

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Learning Objectives



- At the end of this session you will be able to:
 - Determine when an arrangement contains a lease as defined under ASC 842
 - Determine the lease term
 - Calculate and prepare required journal entries for lessees and lessors
 - Recognize both qualitative and quantitative disclosure requirements





Background and Overview of the New Lease Standard

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An Overview

- Amended guidance issued February 2016 for the treatment of leases, including subleases
- Affects all industries
- Lessee will be required to recognize a right-of-use asset and lease liability for substantially all operating and finance leases
- Lessor accounting will remain relatively unchanged
- Changes the accounting for sale and leaseback transactions
- Enhanced disclosures for lessees and lessors



An Overview

Topic 842 DOES NOT apply to:

Leases of intangible assets	Leases to explore for or use minerals, oil, natural gas, and similar nonregenerative resources	Leases of biological assets, including timber	Leases of inventory	Leases of assets under construction
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Lease Determination

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Lease Determination

- An identified asset
 - Can be explicitly or implicitly specified
 - Supplier has no practical ability to substitute
 - Supplier receives no economic benefit from substituting
- The right to control the use during the lease term
 - Decision making authority over the use of the asset
 - Ability to obtain substantially all economic benefits from the use of the asset



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Contract Components – In Summary

Lessee

- Separate lease components from nonlease components
- Allocate the consideration on a relative standalone basis
 - Use observable standalone prices wherever available
- May elect practical expedient to not separate the nonlease component
 - Accounting policy

Lessor

- Allocate the transaction price to separate performance obligations
 - Follows the new revenue recognition standard
- May elect practical expedient to not separate the nonlease component if certain criteria are met
 - Accounting policy





Lease Classification

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Lease Classification – Lessee

Financing lease if ANY of the following 5 conditions are met:

Transfer of ownership

Option to purchase is reasonably certain

Lease term is a major part of the economic life

Present value of lease payments is substantially all of the fair value of the underlying asset

The underlying asset is of a specialized nature

If none of the above are met, the lease is an operating lease



Lease Classification – Lessor

Sales type lease if ANY of the following 5 conditions are met:

Transfer of ownership

Option to purchase is reasonably certain

Lease term is a major part of the economic life

Present value of lease payments is substantially all of the fair value of the underlying asset

The underlying asset is of a specialized nature

If none of the above are met, the lease is either a direct financing lease or an operating lease



Lease Classification – Lessor

Direct financing lease if BOTH of the following conditions are met:

PV of the sum of the lease payments plus any residual value guaranteed by the lessee not already reflected in the lease payments and/or any other third party unrelated to the lessor equals or exceeds substantially all of the fair value of the underlying asset

It is probable that the lessor will collect lease payments plus any amount necessary to satisfy the residual value

If both are not met, the lease is an operating lease





Recognition and Measurement

Lessee Accounting

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Lease Term – Initial Measurement

- Slightly new definition
 - Noncancellable period for which lessee has right to use the underlying asset, plus periods covered by:
 - Option if lessee reasonably certain to extend
 - Option to terminate if lessee is reasonably certain not to exercise
 - Option to extend (or not terminate) controlled by lessor
- Reasonably certain
 - Must consider all relevant factors that create an economic incentive for the lessee to exercise the option



Lease Term – Subsequent Measurement

Lessee

- Reassess only upon the occurrence of a significant event/change in circumstances that is within the control of the lessee
 - Absent a modification

Lessor

- Not required to reassess
 - Absent a modification



Lease Term – Other Considerations

- Related party leases must follow contractual provisions
- Beware of potential impact on leasehold improvement amortization



Balance Sheet Impact



Right-of-Use Asset – Initial Measurement

- Consists of all of the following at commencement date:
 - Initial measurement of the lease liability
 - Any lease payments made to the lessor at or before the commencement date, minus any lease incentives received
 - Any initial direct costs incurred by the lessee

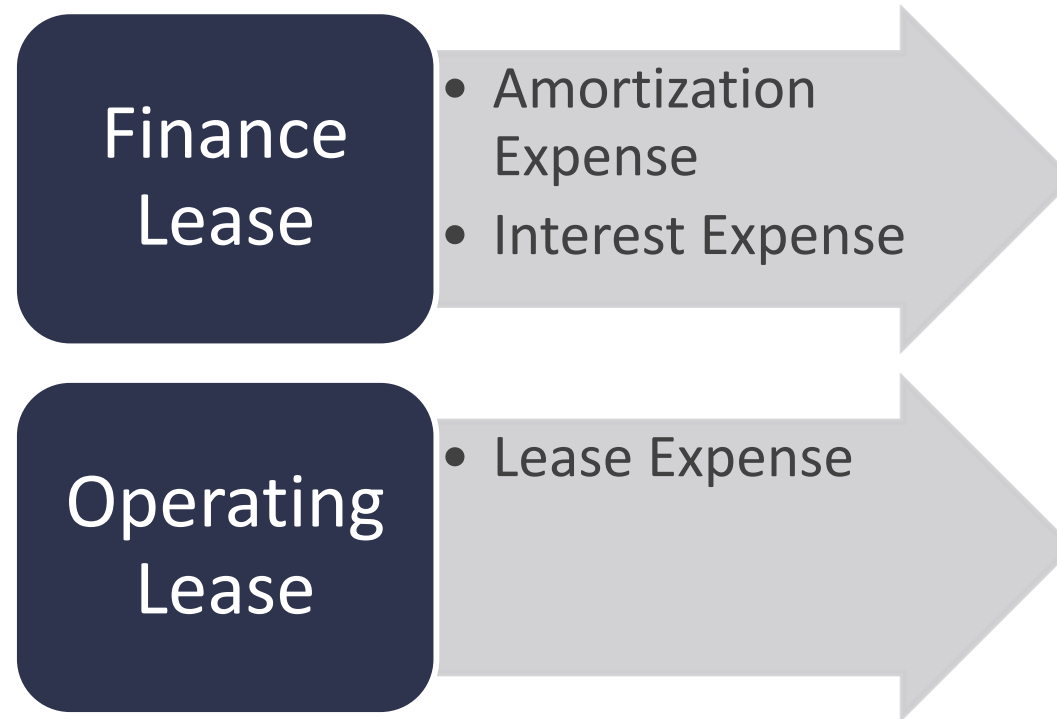


Lease Liability – Initial Measurement

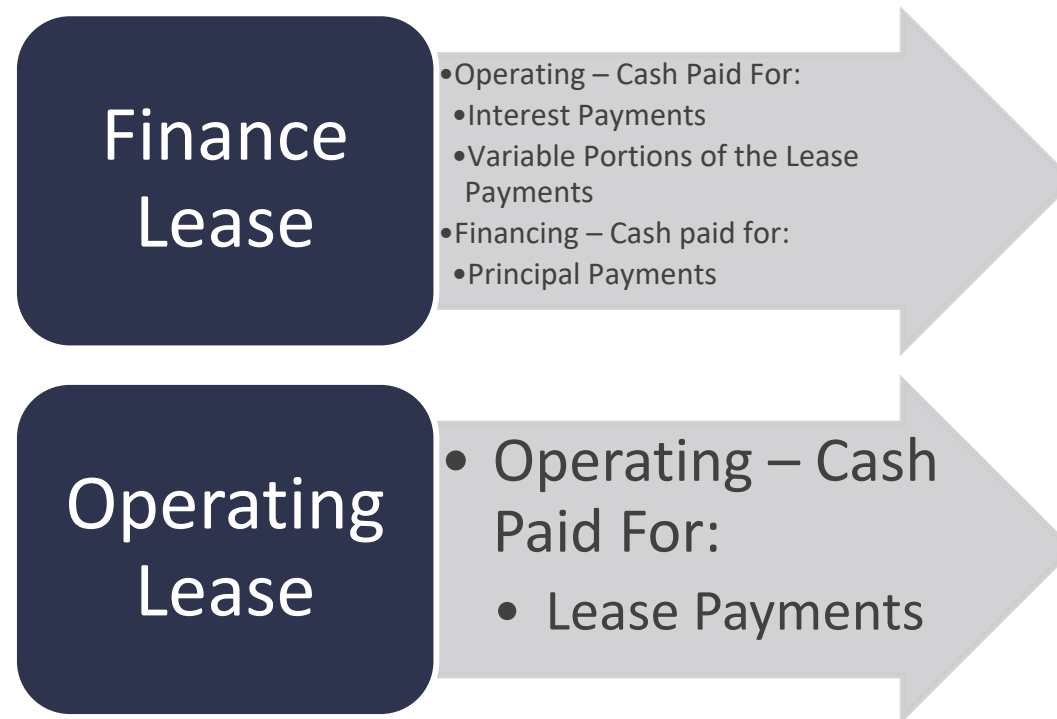
- Present value of the lease payments not yet paid, discounted using the discount rate for the lease at lease commencement
- Other than PBEs (includes all nonprofits) may elect to use the risk-free rates for measurement of all lease liabilities
 - Simpler, but will likely result in recording a larger asset and liability.
 - Can not pick and choose - It is a package
- Real estate taxes and insurance
 - Sometimes included in lease liability measurement



Income Statement Impact



Cash Flow Statement Impact





Lessor Accounting

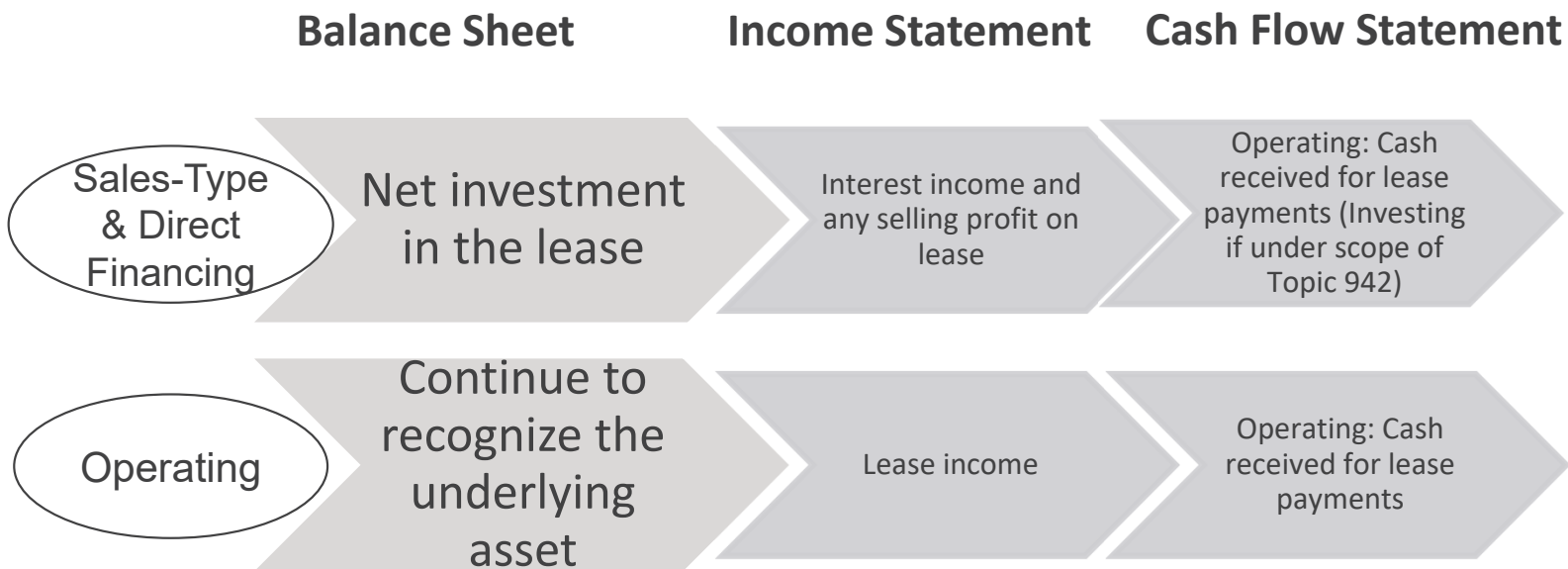
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What Changed?

- Largely unchanged, however some changes made to align:
 - The lessor accounting guidance with specific changes made to the lessee accounting guidance
 - Primarily changes to glossary terms applied by both lessees and lessors for consistency
 - Key aspects of the lessor accounting model with the new revenue recognition standard



Lessor Accounting Model



Lessor accounting is largely unchanged

Classification criteria substantially similar to that in previous lease guidance





Adoption and Other Considerations

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Transition – Package of Practical Expedients

- An entity need not reassess:
 - Whether any expired or existing contract are or contain embedded leases
 - Lease classification of any expired or existing leases
 - Initial direct costs for any existing leases
- Applies to leases that commenced **BEFORE** the effective date
- Must apply as a package to all leases
 - Can not pick and choose which leases
 - Can not pick and choose which practical expedients



Transition – Hindsight Practical Expedient

- Hindsight can also be elected as a practical expedient
 - Determination of lease term
 - Impairment of right-of-use assets
 - Can be used separately or in conjunction with package
 - Must apply consistently to all leases





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Disclosures

- Objective
 - Enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases
- Requirement
 - Enhanced qualitative and quantitative disclosures





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Thank you!

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