

**ROCKETSHIP EDUCATION D.C., PUBLIC
CHARTER SCHOOL, INC.**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2017 AND PERIOD FROM INCEPTION
(JUNE 2, 2015) TO JUNE 30, 2016**

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

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Independent Auditor's Report

Board of Directors

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

We have audited the accompanying financial statements of **Rocketship Education D.C., Public Charter School, Inc.** (a nonprofit School) which comprise the Statements of Financial Position as of June 30, 2017 and 2016, and the related Statements of Activities and Changes in Net Deficit, Functional Expenses and Cash Flows for the year ended June 30, 2017 and for the period from inception (June 2, 2015) to June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and for the year ended June 30, 2017, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

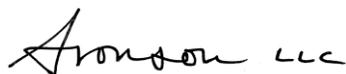
Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Rocketship Education D.C., Public Charter School, Inc.** as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year and period then ended from inception (June 2, 2015) to June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2018, on our consideration of **Rocketship Education D.C., Public Charter School, Inc.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Rocketship Education D.C., Public Charter School, Inc.**'s internal control over financial reporting and compliance.



Rockville, Maryland
January 16, 2018

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

Statements of Financial Position

<i>June 30,</i>	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 2,020,323	\$ 810,445
Grants receivable	254,708	-
Promises to give, net	200,000	846,000
Prepaid expenses	81,872	53,849
Total current assets	2,556,903	1,710,294
Long term assets		
Promises to give - long term	96,325	195,040
Total assets	\$ 2,653,228	\$ 1,905,334
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable	\$ 214,683	\$ 33,210
Accounts payable - related party, current	178,596	2,385,019
Accrued expenses	50,943	16,207
Deferred revenue	29,942	-
Total current liabilities	474,164	2,434,436
Noncurrent liabilities		
Accounts payable - related party, net of current	2,875,991	-
Deferred rent	637,865	-
Total noncurrent liabilities	3,513,856	-
Total liabilities	3,988,020	2,434,436
Net assets (deficit)		
Unrestricted net (deficit)	(2,031,117)	(724,142)
Temporarily restricted net assets	696,325	195,040
Total net assets (deficit)	(1,334,792)	(529,102)
Total liabilities and net assets (deficit)	\$ 2,653,228	\$ 1,905,334

The accompanying Notes to Financial Statements are an integral part of these financial statements.

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

Statement of Activities and Changes in Net Deficit

<i>Year Ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Total 2017
Revenues and support			
Charter school - per pupil funding	\$ 6,568,579	\$ -	\$ 6,568,579
D.C. facilities allowance	1,377,684	-	1,377,684
Other D.C. grants	15,915	-	15,915
Federal government grants	433,339	-	433,339
Foundation contributions	1,125,000	501,285	1,626,285
Individual contributions	65,225	-	65,225
Other revenue	10,641	-	10,641
Total revenues and support	9,596,383	501,285	10,097,668
Expenses			
Program	9,349,742	-	9,349,742
Fundraising expense	7,786	-	7,786
Management and general	1,545,830	-	1,545,830
Total expenses	10,903,358	-	10,903,358
Change in net assets (deficit)	(1,306,975)	501,285	(805,690)
Net assets (deficit), beginning of year	(724,142)	195,040	(529,102)
Net assets (deficit), end of year	\$ (2,031,117)	\$ 696,325	\$ (1,334,792)

The accompanying Notes to Financial Statements are an integral part of these financial statements.

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

Statement of Activities and Changes in Net Deficit

<i>Period from Inception (June 2, 2015) to June 30, 2016</i>	Unrestricted	Temporarily Restricted	Total 2016
Revenues and support			
Foundation contributions	\$ 2,021,000	\$ 195,040	\$ 2,216,040
Individual contributions	9,900	-	9,900
Other revenue	160	-	160
Total revenues and support	2,031,060	195,040	2,226,100
Expenses			
Program	2,333,763	-	2,333,763
Fundraising expense	14,058	-	14,058
Management and general	407,381	-	407,381
Total expenses	2,755,202	-	2,755,202
Change in net assets (deficit)	(724,142)	195,040	(529,102)
Net assets, beginning of period	-	-	-
Net assets (deficit), end of period	\$ (724,142)	\$ 195,040	\$ (529,102)

The accompanying Notes to Financial Statements are an integral part of these financial statements.

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

Statement of Functional Expenses

<i>Year Ended June 30, 2017</i>	Program Services	Fundraising	Management and General	Total 2017
Personnel, salaries, and benefits:				
Salaries	\$ 2,203,586	\$ -	\$ -	\$ 2,203,586
Fringe benefits and payroll taxes	420,442	-	-	420,442
Total personnel, salaries, and benefits	2,624,028	-	-	2,624,028
Direct student costs:				
Contracted instruction fees	2,712,122	-	487,948	3,200,070
Student supplies	73,748	-	-	73,748
Library and media center	35,531	-	-	35,531
Student assessment	23,166	-	-	23,166
Other student expense	133,546	-	-	133,546
Food services	345,235	-	-	345,235
Total direct student cost	3,323,348	-	487,948	3,811,296
Occupancy expenses:				
Rent	2,791,625	-	-	2,791,625
Repairs and maintenance	39,830	-	-	39,830
Utilities	105,034	-	-	105,034
Contracted building services	254,496	-	-	254,496
Total occupancy expenses	3,190,985	-	-	3,190,985
Office expenses:				
Supplies, materials and equipment	116,044	-	-	116,044
Telecommunication	22,183	-	-	22,183
Technology (computer software and equipment)	33,546	-	-	33,546
Legal, accounting and payroll services	26,824	-	-	26,824
Printing and postage	3,384	-	-	3,384
Other office expense	9,400	-	-	9,400
Total office expenses	211,381	-	-	211,381
General expenses:				
Insurance	-	-	7,467	7,467
Transportation and lodging	-	-	17,730	17,730
Consulting	-	2,834	-	2,834
Administrative fee	-	-	85,428	85,428
Management fee	-	4,952	848,765	853,717
Operating expenses	-	-	98,492	98,492
Total general expenses	-	7,786	1,057,882	1,065,668
Total expenses	\$ 9,349,742	\$ 7,786	\$ 1,545,830	\$ 10,903,358

The accompanying Notes to Financial Statements are an integral part of these financial statements.

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

Statement of Functional Expenses

<i>Period from Inception (June 2, 2015) to June 30, 2016</i>	Program Services	Fundraising	Management and General	Total 2016
Personnel, salaries, and benefits:				
Salaries	\$ 129,043	\$ -	\$ -	\$ 129,043
Fringe benefits and payroll taxes	33,899	-	-	33,899
Total personnel, salaries, and benefits	162,942	-	-	162,942
Direct student costs:				
Contracted instruction fees	2,065,364	-	380,061	2,445,425
Food services	5,108	-	-	5,108
Total direct student cost	2,070,472	-	380,061	2,450,533
Occupancy expenses:				
Rent	3,070	-	3,600	6,670
Utilities	9,729	-	-	9,729
Total occupancy expenses	12,799	-	3,600	16,399
Office expenses:				
Supplies, materials and equipment	23,777	-	-	23,777
Telecommunication	2,754	-	-	2,754
Technology (computer software and equipment)	15,055	-	-	15,055
Legal, accounting and payroll services	19,850	-	-	19,850
Total office expenses	61,436	-	-	61,436
General expenses:				
Insurance	1,096	-	-	1,096
Consulting	-	14,058	-	14,058
Advertising and recruiting	4,687	-	-	4,687
Operating expenses	20,331	-	23,720	44,051
Total general expenses	26,114	14,058	23,720	63,892
Total expenses	\$ 2,333,763	\$ 14,058	\$ 407,381	\$ 2,755,202

The accompanying Notes to Financial Statements are an integral part of these financial statements.

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

Statements of Cash Flows

*Year Ended June 30, 2017 and Period from Inception
(June 2, 2015) to June 30, 2016*

	2017	2016
Cash flows from operating activities		
Change in net deficit	\$ (805,690)	\$ (529,102)
Adjustments to reconcile change in net deficit to net cash provided by operating activities		
Deferred rent	637,865	-
Change in present value discount on promises to give	995	4,960
(Increase) decrease in		
Grants receivable	(254,708)	-
Promises to give	743,720	(1,046,000)
Prepaid expenses	(28,023)	(53,849)
Increase (decrease) in		
Accounts payable	181,473	33,210
Accounts payable - related party	669,568	2,385,019
Accrued expenses	34,736	16,207
Deferred revenue	29,942	-
Net cash provided by operating activities	1,209,878	810,445
Net change in cash and cash equivalents	1,209,878	810,445
Cash and cash equivalents, beginning of period	810,445	-
Cash and cash equivalents, end of period	\$ 2,020,323	\$ 810,445

The accompanying Notes to Financial Statements are an integral part of these financial statements.

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

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: Rocketship Education D.C., Public Charter School, Inc. (the School) was incorporated in June 2015 as a not-for-profit corporation operated in the District of Columbia. The School officially opened its doors to students in August 2016 as a first-year academic public charter school. The mission is to eliminate the achievement gap in historically underserved communities.

There are two campuses: Rocketship RISE (RISE) and Rocketship Legacy Prep (RLP). The RISE campus was in full operations for the year ended June 30, 2017 and the RLP campus was starting up with the expectation of full operations for the 2017 – 2018 school year.

Basis of accounting: The School prepares its financial records on the accrual basis of accounting. Under this basis, support and revenue are recognized when earned, and expenses are recognized as incurred.

Basis of presentation: The School classifies revenues as restricted or unrestricted based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations. Resources are available for general operations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Deficit as released from restrictions. As of June 30, 2017 and 2016, net assets are temporarily restricted for time and purpose with restrictions that the funds be utilized to help start the new RLP campus.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently. As of June 30, 2017 and 2016, the School had no permanently restricted net assets.

Cash and cash equivalents: The School considers all short term deposits with original maturities of ninety days or less in checking and savings accounts to be cash and cash equivalents. Balances may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

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

Notes to Financial Statements

Grants receivable: Grants receivable are recorded when the service is rendered or when expenses are incurred for federal and state programs. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. This balance is deemed fully collectible and therefore no allowance for doubtful accounts was deemed necessary as of June 30, 2017. There was no receivable balance as of June 30, 2016.

Promises to give: Unconditional promises to give are recorded as contributions when received. Amounts expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on promises to give are computed using a discount rate equal to the 5-year treasury yield curve rate plus an adjustment for risk. Amortization of the discount is included in contribution revenue. Management does not believe that an allowance for uncollectible promises to give is necessary.

Deferred rent: The School recognized the minimum non-contingent rent required under the operating lease as rent expense on a straight-line basis over the life of the lease, with differences between the amounts expensed and the required lease payments reflected as deferred rent on the accompanying Statements of Financial Position.

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

Notes to Financial Statements

Revenue recognition:

Charter school – per pupil funding – A substantial portion of the School’s revenue is derived from the District of Columbia Public School System, and is based on a student allocation formula linked to enrollment. Amounts received in advance for future school terms are deferred and recognized over the period to which the funding relates.

D.C. facilities allowance – The School recognizes a facility allowance based on a student allocation formula linked to enrollment as determined by the D.C. government. Amounts received in advance are deferred and recognized over the period to which the funding relates.

Other D.C. grants – The School recognizes other D.C. apportionments based on a student allocation formula linked to enrollment as determined by the D.C. government. Amounts received in advance are deferred and recognized over the period to which the funding relates.

Federal government grants – The School recognizes grant revenue in amounts equal to total allowable expenditures made during the period for the purposes specified by the grant.

Foundation and individual contributions – The School recognizes all unconditional contributions received as income in the period received or pledged. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions, when received.

Income taxes: The School is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

Uncertainties in income taxes: The School evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of June 30, 2017 and 2016, there are no accruals for uncertain tax positions. If applicable, the School records interest and penalties as a component of income tax expense. Tax years from 2016 through the current year remain open for examination by tax authorities.

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

Notes to Financial Statements

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

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Deficit. Costs that can be identified with particular programs or support functions are charged directly to the program or function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through January 16, 2018, which is the date the financial statements were available to be issued.

2. Promises to give

As of June 30, 2017 and 2016, promises to give consisted of the following:

	2017	2016
Promises to give expected in:		
Less than one year	\$ 200,000	\$ 846,000
Two to five years	100,000	200,000
Total promises to give	300,000	1,046,000
Less: discount	(3,675)	(4,960)
Total promises to give, net	\$ 296,325	\$ 1,041,040

Unconditional promises to give are discounted to their present value using a discount rate of the 5-year treasury yield curve rate adjusted for risk of 1.89% and 2.48% for the year ended June 30, 2017 and period from inception (June 2, 2015) to June 30, 2016, respectively.

3. Retirement plan

The School participates in a 403(b) retirement plan. Eligible employees may contribute up to 100% of their salary. The School matches up to 3% of yearly pay. For the year ended June 30, 2017 and for the period from inception (June 2, 2015) to June 30, 2016, the School contributed \$15,563 and \$2,045, respectively, to the retirement plan.

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

Notes to Financial Statements

4. Concentration The School is supported primarily through local and federal government allocations and grants for the year ended June 30, 2017. Approximately 81% of total revenue for the year ended June 30, 2017 was provided through one government agency. Two government agencies were responsible for 82% of total grants receivables as of June 30, 2017.

As of June 30, 2017, approximately 54% of promises to give were from two foundations.

For the period from inception (June 2, 2015) to June 30, 2016, the School was primarily supported through contributions. Approximately 89% of the School's total support was provided from four donors. As of June 30, 2016, approximately 96% of promises to give came from three donors.

5. Charter school per pupil funding and facilities allowance The School receives funding from the District of Columbia which is based on a student allocation formula linked to enrollment. The funding is received in the form of per pupil education allotments and facility allotments and was as follows:

Year and period ended June 30,	2017	2016
General education	\$ 5,132,622	\$ -
Special education	630,280	-
Special education compliance	65,780	-
English language learners	18,977	-
At-risk students	720,920	-
Facilities allowance	1,377,684	-
Total D.C. allotments	\$ 7,946,263	\$ -

Per pupil direct student costs during the year ended June 30, 2017 were \$8,642. Per pupil occupancy cost during the year ended June 30, 2017 was \$7,236. There were no pupils for the period from inception (June 2, 2015) to June 30, 2016.

6. Operating lease The School has entered into a lease agreement for school space for the term of July 1, 2016 until June 30, 2045. The lease is with a related party (See Note 7). Occupancy expense related to this lease during the year ended June 30, 2017 was \$2,735,797. There was no expense for the period from inception (June 2, 2015) to June 30, 2016. The School's future minimum payments for the space as of June 30, 2017, are as follows:

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

Notes to Financial Statements

Year Ending June 30,	
2018	\$ 2,097,931
2019	2,097,931
2020	2,097,931
2021	2,145,134
2022	2,193,400
Thereafter	66,607,851
Total	\$ 77,240,178

7. Related party transactions

The School is an independent legal entity but is consolidated into Rocketship Education (the parent organization). Rocketship Education is a non-profit network of public elementary charter schools serving primarily low-income students in neighborhoods where access to high-performing schools is limited. The School is also managed by Rocketship Education as noted in Note 8.

The School leases its facility from a related party, Launchpad Development One DC, LLC which is a single member LLC with Launchpad Development Company as its sole member. Launchpad Development Company is a 509(a) supporting organization formed to support Rocketship Education. See Note 6.

8. Management fees

The School is managed by a related party (see Note 7), Rocketship Education, a not-for-profit charter management organization. On February 3, 2016, the School entered into a management agreement with Rocketship Education to assume responsibility for the School's educational process, management, and operations. As compensation to Rocketship Education for these services, the School shall pay an estimate of \$1.75 million for the national operation services plus actual costs incurred by the regional operation services during the start-up period through June 30, 2016, and 15% of certain of the School's revenues after the start-up period.

For the year ended June 30, 2017 and the period from inception (June 2, 2015) to June 30, 2016, the management fee incurred and accrued by the School was \$853,717 and \$2,385,019, respectively, and is included in accounts payable - related party on the Statements of Financial Position. In addition, the School incurred fees for regional services of \$490,782 for the year ended June 30, 2017 which are payable to Rocketship Education and included in accounts payable - related party. There was no such service fee for the period from inception (June 2, 2015) to June 30, 2016.

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

Notes to Financial Statements

On October 31, 2015, the School entered into an instruction agreement with Apple Tree Institute for Education (Apple Tree), a District of Columbia organization. Per the terms of the agreement, Apple Tree will fully manage and operate the educational program for pre-school and pre-kindergarten (“Pre-K3” and “Pre-K4”).

Apple Tree is solely responsible for all costs associated with operating the program, including, but not limited to compensation for teachers and administrators, curriculum related expenses, classroom furniture and supplies, and all liabilities associated with operating the program including expenses associated with special education.

As a management fee for the services rendered, Apple Tree shall receive an amount equal to the per-pupil funding the School receives for its enrolled Pre-K3 and Pre-K4 students excluding the facilities allotment and less any administrative fees. For the year ended June 30, 2017 and the period from inception (June 2, 2015) to June 30, 2016, the Apple Tree management fee incurred by the School was \$2,345,969 and \$0, respectively.

9. Going concern evaluation

Management has evaluated conditions and events, in the aggregate, regarding the School’s ability to meet their financial obligations as they become due within one year from the date of these financial statements. Management’s evaluation considered only relevant conditions and events that are known and reasonably knowable at the date the financial statements were available to be issued.

Rocketship Education is committed to fiscal stewardship and transparency across all of its schools. At full enrollment the School is expected to operate solely on public and governmental funding, however, the School is still in a ramp up period to full enrollment and operating at a loss was anticipated. The School’s first year enrollment was only 65% of full capacity. Many fixed costs were incurred at their full rate since inception (i.e. school facility costs, school leadership compensation). The School is expected to continue to increase its enrollment by 15% each year until full enrollment is reached in school year 2020/21. This will increase budgeted revenues to approximately \$12.7 million. The School’s expenses will also increase, however, not at the same rate as revenues due to many of the fixed expenses already incurred since the opening of the School. Rocketship Education ensures each of its schools receive the appropriate financial assistance during ramp up to full enrollment. This assistance can be provided through philanthropy, external financing, deferring related party payables and/or intra-company transfers.

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

Notes to Financial Statements

Management is confident deficits will continue to decrease as enrollment increases, resulting in a financially solvent school at full enrollment. The School's Board and Management expect that they will be able to meet their financial obligations as they become due.

10. Nonrecorded subsequent event

In September 2017, a new Washington Teacher's Union (WTU) contract backdated to October 1, 2016 was approved by the WTU. Subsequently, in October 2017, the DC Council approved legislation to provide additional funding to both DC Public Schools (DCPS) and DC Public Charter Schools (DC PCS) through an increase in the Uniform Per Student Funding Formula (UPSFF). The additional funding will cover the increased salary and benefit expenses associated with the contract. Charter schools will receive a one-time payment based on fiscal year 2017 enrollment figures.

The amount of the one-time payment received by the School was \$138,474 and will be reflected as fiscal year 2018 revenue as the events leading to the supplemental funding did not occur until the subsequent period.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Rocketship Education D.C., Public Charter School, Inc.** (a nonprofit School), which comprise the Statement of Financial Position as of June 30, 2017, and the related Statements of Activities and Changes in Net Deficit, Functional Expenses and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Rocketship Education D.C., Public Charter School, Inc.**'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Rocketship Education D.C., Public Charter School, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Rocketship Education D.C., Public Charter School, Inc.**'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 the entity'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 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

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)

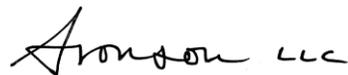
weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Rocketship Education D.C., Public Charter School, Inc.’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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’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 School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rockville, Maryland
January 16, 2018



Independent Auditor's Report on Supplementary Information

Board of Directors
Rocketship Education D.C., Public Charter School, Inc.
Washington, D.C.

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Rockville, Maryland 20850

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We have audited the financial statements of the **Rocketship Education D.C., Public Charter School, Inc.** as of and for the year ended June 30, 2017, and our report thereon dated January 16, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activities by Campus on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rockville, Maryland
January 16, 2018

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

Schedule of Activities by Campus

Year Ended June 30, 2017

	PCSB	RISE	RLP	Total
Revenues and support				
Charter school - per pupil funding	\$ -	\$ 6,568,579	\$ -	\$ 6,568,579
D.C. facilities allowance	-	1,377,684	-	1,377,684
Other D.C. grants	-	15,915	-	15,915
Federal government grants	-	364,649	68,690	433,339
Private foundation and individual contributions	1,616,510	75,000	-	1,691,510
Other revenue	-	10,641	-	10,641
Total revenues and support	1,616,510	8,412,468	68,690	10,097,668
Expenses				
Personnel, salaries, and benefits:				
Salaries	-	2,136,798	66,788	2,203,586
Fringe benefits and payroll taxes	-	412,170	8,272	420,442
Total personnel, salaries, and benefits	-	2,548,968	75,060	2,624,028
Direct student costs:				
Contracted instruction fees	-	3,200,070	-	3,200,070
Student supplies	-	73,748	-	73,748
Library and media center	-	35,531	-	35,531
Student assessment	-	23,166	-	23,166
Other student expense	-	133,546	-	133,546
Food services	-	345,235	-	345,235
Total direct student cost	-	3,811,296	-	3,811,296
Occupancy expenses:				
Rent	-	2,791,625	-	2,791,625
Repairs and maintenance	-	39,830	-	39,830
Utilities	-	105,034	-	105,034
Contracted building services	-	254,146	350	254,496
Total occupancy expenses	-	3,190,635	350	3,190,985
Office expenses:				
Supplies, materials and equipment	-	114,727	1,317	116,044
Telecommunication	-	21,983	200	22,183
Technology (computer software and equipment)	-	33,546	-	33,546
Legal, accounting and payroll services	16,005	10,819	-	26,824
Printing and postage	-	3,384	-	3,384
Other office expense	-	9,400	-	9,400
Total office expenses	16,005	193,859	1,517	211,381
General expenses:				
Insurance	-	7,467	-	7,467
Transportation and lodging	-	16,346	1,384	17,730
Consulting	-	2,834	-	2,834
Administrative fee	-	85,428	-	85,428
Management fee	-	853,717	-	853,717
Operating expenses	-	92,920	5,572	98,492
Total general expenses	-	1,058,712	6,956	1,065,668
Total expenses	16,005	10,803,470	83,883	10,903,358
Change in net assets (deficit)	\$ 1,600,505	\$ (2,391,002)	\$ (15,193)	\$ (805,690)

Refer to accompanying Independent Auditor's Report on Supplementary Information