

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**FINANCIAL STATEMENTS WITH COMPLIANCE**  
**AND SINGLE AUDIT REPORTING**

**June 30, 2023**

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**ROCKETSHIP PUBLIC SCHOOLS TEXAS**

Federal Employer Identification Number: 84-3223079

Certificate of Board

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one)  approved  disapproved for the year ended June 30, 2023, at a meeting of the Board of Directors of such charter holder on the 17 day of November, 2023.

  
Signature of Board Secretary

  
Signature of Board President

If the Board of Directors disapproved the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Rocketship Public Schools Texas  
Fort Worth, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Rocketship Public Schools Texas (the School), a non-profit corporation, which comprise the statement of financial position as of June 30, 2023, and the related 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 financial statements present fairly, in all material respects, the financial position of the School 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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 the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### ***Auditor's Responsibilities 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 the School'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 the School'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 16-22 and the accompanying schedule of expenditures of federal awards on page 27, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, are presented for purposes of additional analysis and are 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.

The supplementary financial statements on pages 23-26 for the inception period from January 1, 2022 to June 30, 2022 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023 on pages 29-30 on our consideration of the School'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 of the School'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 the School's internal control over financial reporting and compliance.

*Randy Walker & Co.*

San Antonio, Texas  
November 17, 2023

# **GENERAL-PURPOSE FINANCIAL STATEMENTS**

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2023**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	143,429
Accounts Receivable		1,753,383
Due from Texas Education Agency		491,790
Prepaid Expenses		310,723
Total Current Assets		2,699,325

**LONG-TERM ASSETS**

Property and Equipment - net		14,575,527
Operating Lease Right-of-Use Assets		89,109
Finance Lease Right-of-Use Asset - net		3,823,321
Total Long-Term Assets		18,487,957

**TOTAL ASSETS**      \$ 21,187,282

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	3,990,697
Accrued Expenses		141,995
Operating Lease Payables - current		30,691
Finance Lease Payable - current		734,274
Loan Payable - current		251,697
Total Current Liabilities		5,149,354

**LONG-TERM LIABILITIES**

Operating Lease Payables - long-term		56,848
Finance Lease Payable - long-term		3,223,478
Loan Payable - long-term		12,417,706
Total Long-Term Liabilities		15,698,032

**TOTAL LIABILITIES**      20,847,386

**NET ASSETS**

Without Donor Restrictions		339,896
<b>TOTAL NET ASSETS</b>		339,896

**TOTAL LIABILITIES AND NET ASSETS**      \$ 21,187,282

The accompanying notes are an integral part of this financial statement.





**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2023**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b><u>OPERATING EXPENSES</u></b>				
Salaries	\$ 2,875,947	\$ 541,057	\$ -	\$ 3,417,004
Benefits	380,733	661,170	212	1,042,115
Payroll Taxes	26,471	20,653	-	47,124
Total Payroll Expenses	<u>3,283,151</u>	<u>1,222,880</u>	<u>212</u>	<u>4,506,243</u>
Amortization	779,144	-	-	779,144
Supplies	705,340	10,668	-	716,008
Contracted Services	613,244	8,681	-	621,925
Miscellaneous	425,319	9,383	-	434,702
Professional Fees	179,056	142,926	-	321,982
Travel	258,716	54,226	-	312,942
Food/Non-Food Expenses	285,404	724	-	286,128
Maintenance and Repair	200,227	1,318	-	201,545
Instructional Materials	200,189	-	-	200,189
Utilities	156,643	7,673	-	164,316
Rental Expense	106,907	32,000	-	138,907
Interest	136,711	-	-	136,711
Consulting	120,904	14,483	338	135,725
Insurance and Bonding	4,793	54,184	-	58,977
Depreciation	46,328	-	-	46,328
Supplies for Maintenance	45,071	-	-	45,071
Dues and Subscriptions	3,582	250	-	3,832
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 7,550,729</u></b>	<b><u>\$ 1,559,396</u></b>	<b><u>\$ 550</u></b>	<b><u>\$ 9,110,675</u></b>

The accompanying notes are an integral part of this financial statement.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2023**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Foundation School Program Payments	\$ 2,447,569
Grant Payments	1,218,288
Contributions and Fund-Raising Activities	3,037,678
Miscellaneous Sources	2,676
Payments to Vendors for Goods and Services Rendered	(1,228,260)
Payments to Charter School Personnel for Services Rendered	(3,552,490)
Interest Payments	(136,711)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>1,788,750</u></b>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Purchase of Building, Furniture, and Equipment	<u>(7,709,040)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b><u>(7,709,040)</u></b>
 <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>	
Proceeds from New Borrowings on Long-Term Debt	6,144,697
Payments on Finance Lease Obligation	<u>(644,712)</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b><u>5,499,985</u></b>
 <b>NET DECREASE IN CASH FLOWS</b>	 <b>(420,305)</b>
 <b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	 <b><u>563,734</u></b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 143,429</u></b>
 Reconciliation of Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Change in Net Assets	\$ (711,008)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	46,328
Amortization	779,144
Increase in Assets:	
Accounts Receivable	(1,655,288)
Due from Texas Education Agency	(38,106)
Prepaid Expenses	(310,723)
Operating Lease Right-of-Use Assets	(89,109)
Increase (Decrease) in Liabilities:	
Accounts Payable	3,967,446
Accrued Expenses	(280,559)
Other Current Liabilities	(6,914)
Operating Lease Payables	87,539
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 1,788,750</u></b>

The accompanying notes are an integral part of this financial statement.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity and Corporate Operations***

Rocketship Public Schools Texas (the School) is a 501(c)(3) not-for-profit organization incorporated in the State of Texas in 2019. The School is governed by a Board of Directors (the Board) comprised of nine members. The Board is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint upper management, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the School.

As of June 30, 2023, the School operates one campus located in Fort Worth, Texas. Since the School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

***Corporate Operations***

The School was organized to provide educational services to students in Pre-K through fifth grade. The Board governs the programs, services, activities, and functions of the School, which operates under an open enrollment charter granted by the State of Texas Board of Education. The School is part of the public-school system of the State of Texas and is therefore entitled to distributions from the State's available school fund. The School does not have the authority to impose ad valorem taxes on its district or to charge tuition.

***Basis of Presentation***

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with GAAP.

The School is required to report information regarding its financial position and activities according to two classes of net assets as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than the School's mission and purpose. 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. 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Income Taxes***

The School is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from income and sales taxes. As of June 30, 2023, the tax years that remain subject to examination by taxing authorities begin with 2020.

***Cash and Cash Equivalents***

For financial statement purposes, the School considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents consist of all cash on hand and in banks and money market accounts.

***Property and Equipment***

Property and equipment are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to seven years, using the straight-line method of depreciation. Property and equipment are defined as assets with an individual cost of more than \$5,000 or a collection of items purchased together, which collectively cost more than \$5,000. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to fixed assets at fair value at the date of donation, which is then treated as cost.

***Contributions and Grants***

The School accounts for contributions and grants as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

***Functional Allocation of Expenses***

The costs of providing the services and other activities of the School have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses, which are allocated on the basis of estimates of time and effort, as well as contracted services, rental expense, professional fees, and various other expenses, which are allocated on the basis of square footage or some other reasonable basis.

***Regulated Industry***

The majority of the School's activities and revenues are a result of contracts with Texas Education Agency (TEA). The School's operations are concentrated in the education field. As such, the School operates in a heavily regulated environment. The operations of the School are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Leases***

The School may have lease agreements that contain both lease and non-lease components as defined by ASC 842. The School has elected the practical expedient, by class of underlying asset, to account for lease and non-lease components as a single lease component. The underlying assets include copiers, a building, land, and office space recognized as right-of-use assets in the statement of financial position.

As the School's leases do not provide an implicit rate, a risk-free rate is used based on the information available at commencement date in determining the present value of lease payments. The risk-free rate is the rate of a zero-coupon U.S. Treasury instrument for the same period of time as the lease term.

***New Accounting Pronouncements***

In 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This pronouncement provides guidance regarding revenue recognition effective for reporting periods beginning after December 15, 2019. The pronouncement affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets. The core principle of this update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. Management has evaluated the new pronouncement and determined it is not applicable to the School based on the School's revenue sources. Therefore, it will not be adopted for fiscal year 2023.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This pronouncement requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The pronouncement includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new pronouncement, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Management has evaluated this pronouncement and determined it is not applicable as the School had no material in-kind contributions for the year ended June 30, 2023. Therefore, it will not be adopted for fiscal year 2023.

***Recently Adopted Accounting Pronouncements***

In 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for periods beginning after December 15, 2018. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The School adopted this pronouncement effective July 1, 2022.

In 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, effective for periods beginning after December 15, 2019. This pronouncement improves the effectiveness of fair value measurement disclosures in the notes to the financial statements. The School adopted this pronouncement effective July 1, 2022.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Recently Adopted Accounting Pronouncements (continued)***

In February 2016, the FASB issued ASU 2016-02, *Leases*. This pronouncement provides new guidance regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with lease terms of more than twelve months. The School adopted this pronouncement using the effective date method on July 1, 2022.

**NOTE 2 - ACCOUNTS RECEIVABLE**

At June 30, 2023, the School had \$1,753,383 in total receivables due from grantors and the IRS related to local grants and the overpayment of social security taxes. All amounts receivable are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

**NOTE 3 - DUE FROM TEXAS EDUCATION AGENCY**

At June 30, 2023, the School had \$491,790 in total receivables due from TEA related to various state/federal grants and Foundation School Program revenue. All amounts receivable are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Fixed assets consisted of the following at June 30, 2023:

Construction in Progress	\$ 12,761,915
Land	1,481,782
Furniture and Equipment	338,669
Building Improvements	<u>40,045</u>
	14,622,411
Less Accumulated Depreciation	<u>(46,884)</u>
Total Property and Equipment - net	<u>\$ 14,575,527</u>

Depreciation expense for the year ended June 30, 2023 was \$46,328.

**NOTE 5 - RIGHT-OF-USE OPERATING LEASES**

The School leases office space and equipment under multiple agreements with various expiration dates. These leases have variable monthly payments as outlined in the lease agreements. The School has adopted ASU 2016-02, *Leases*, as described in Note 1. Therefore, these leases are treated as right-of-use operating leases. The balance of the right-of-use leased assets was \$89,109 at June 30, 2023. The balance of the right-of-use lease payables was \$87,539 at June 30, 2023. Rental expense related to these agreements was \$138,907 for the year ended June 30, 2023.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 5 - RIGHT-OF-USE OPERATING LEASES (continued)**

The related future minimum lease payments under these right-of-use operating leases are as follows:

Years Ending June 30,		
2024	\$	34,264
2025		30,807
2026		25,753
2027		612
		91,436
Less: Interest (3.10%)		(3,897)
Total	\$	87,539

**NOTE 6 - RIGHT-OF-USE FINANCE LEASE**

The School leases a building and land from the developer of the property. The School has adopted ASU 2016-02, *Leases*, as described in Note 1. Therefore, this lease is treated as a finance lease as the lease contains a written purchase option that the School will reasonably exercise. The right-of-use leased building was carried at cost of \$4,602,465 less accumulated amortization of \$779,144 at June 30, 2023. The balance of the lease payable was \$3,957,752 at June 30, 2023. Interest expense related to this lease was \$136,711 for the year ended June 30, 2023.

The related future minimum lease payments under this right-of-use finance lease are as follows:

Years Ending June 30,		
2024	\$	860,004
2025		860,004
2026		1,221,708
2027		1,221,708
2028		107,607
		4,271,031
Less: Interest (3.54%)		(313,279)
Total	\$	3,957,752

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the School have complex compliance requirements, and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by TEA or the grantor agency.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 8 - HEALTH INSURANCE PLAN**

The School employees are offered health insurance benefits that are paid for in whole or in part by the School depending on choice of coverage and plan. The School's contributions to the health plan amounted to \$695,429 for the year ended June 30, 2023.

**NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The School adopted the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the School's financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The School's current assets and liabilities as presented in the statement of financial position are Level 1. The School does not have Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

**NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The following reflects the School's financial assets as of the statement of financial position date.

Cash and Cash Equivalents	\$ 143,429
Accounts Receivable	1,753,383
Due from Texas Education Agency	<u>491,790</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 2,388,602</u>

The School's primary sources of cash flows are local, state, and federal program revenues. The School has a consistent inflow of cash throughout the year to cover normal operating expenses.

**NOTE 11 - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through November 17, 2023, which is the date the financial statements were available to be issued.



**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 12 - LOAN PAYABLE**

In June 2022, the School entered into a financing agreement for the purchase of land, pre-development activities in connection with the development of the School, and construction. The loan amount was \$8,000,000, at a 1.0% interest rate, maturing on December 1, 2023. In November 2022, the School refinanced the existing note for additional borrowings for a total loan of \$12,800,000, with no principal or interest due until November 1, 2023, after which principal payments and interest are due. As of June 30, 2023, the loan balance was \$12,669,403.

Principal maturities of this loan payable are as follows:

Years Ending June 30,	
2024	\$ 251,697
2025	525,367
2026	723,527
2027	<u>11,168,812</u>
Total	<u>\$ 12,669,403</u>

**NOTE 13 - PENSION PLAN OBLIGATIONS**

***Plan Description***

The School contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system.

It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the School, but are the liability of the State of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$207,621,898,000  
 Accumulated Benefit Obligations - \$228,246,679,763  
 The plan is 79.0% funded.

There are no collective-bargaining agreements.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 13 - PENSION PLAN OBLIGATIONS (continued)**

***Funding Policy***

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Under provisions in state law, plan members are required to contribute 8.0% of their annual covered salary, and the State of Texas contributes an amount equal to 8.0% of the School's covered payroll.

The School employees' contributions to the TRS for the year ended June 30, 2023 were \$289,954, equal to the required contributions for the year.

Other contributions made from federal and private grants and from the School for salaries above the statutory minimum for the year ended June 30, 2023 were \$93,604, equal to the required contributions for the year.

The School's contributions to TRS were \$119,722 for the year ended June 30, 2023, which include Non-OASDI participating surcharges of \$11,512. The School's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

## **SPECIFIC-PURPOSE SCHEDULES**

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**SCHEDULE OF EXPENSES**  
**For the Year Ended June 30, 2023**

**EXPENSES**

6100	Payroll Costs	\$	4,506,243
6200	Professional and Contracted Services		1,584,400
6300	Supplies and Materials		1,247,396
6400	Other Operating Costs		<u>1,635,925</u>
	<b>TOTAL EXPENSES</b>	<b>\$</b>	<b><u><u>9,110,675</u></u></b>

See independent auditor's report.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**SCHEDULE OF CAPITAL ASSETS**  
**June 30, 2023**

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

	<b>Ownership Interest</b>		
	<b>Local</b>	<b>State</b>	<b>Federal</b>
1110 Cash	\$ 143,429	\$ -	\$ -
1510 Land and Improvements	1,481,782	-	-
1520 Building and Improvements	12,801,960	-	-
1539 Furniture and Equipment	314,375	-	24,294
	<b>Total Capital Assets:</b>	<b>\$ -</b>	<b>\$ 24,294</b>
	<b>\$ 14,741,546</b>	<b>\$ -</b>	<b>\$ 24,294</b>

Reconciliation of Fixed Asset on Schedule of Capital Assets to Statement of Financial Position:

*Per Schedule of Capital Assets:*

1510 Land and Improvements	\$ 1,481,782
1520 Building and Improvements	12,801,960
1539 Furniture and Equipment	338,669

*Less Accumulated Depreciation:*

(46,884)

**Total Fixed Assets per Statement of Financial Position:** \$ 14,575,527

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Variance From Original to Final Budget</u>	<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>			
<b><u>REVENUES AND OTHER SUPPORT</u></b>					
Local Support:					
5744 Revenue from Foundations, Other Nonprofit Organizations, Gifts, and Bequests	\$ 3,500,000	\$ 4,922,910	\$ 1,422,910 (1)	\$ 4,692,966	\$ (229,944)
5749 Other Revenue from Local Sources	-	-	-	2,676	2,676
Total Local Support	<u>3,500,000</u>	<u>4,922,910</u>	<u>1,422,910</u>	<u>4,695,642</u>	<u>(227,268)</u>
State Program Revenues:					
5810 Per Capita and Foundation School Program Revenues	4,018,939	2,608,429	(1,410,510) (2)	2,857,700	249,271
5820 State Program Revenues Distributed by Texas Education Agency	25,000	25,000	-	-	(25,000) (6)
Total State Program Revenues	<u>4,043,939</u>	<u>2,633,429</u>	<u>(1,410,510)</u>	<u>2,857,700</u>	<u>224,271</u>
Federal Program Revenues:					
5920 Federal Revenues Distributed by Texas Education Agency	1,238,669	1,092,166	(146,503) (3)	846,263	(245,903) (4)
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	-	62	62
Total Federal Program Revenues	<u>1,238,669</u>	<u>1,092,166</u>	<u>(146,503)</u>	<u>846,325</u>	<u>(245,841)</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>8,782,608</u>	<u>8,648,505</u>	<u>(134,103)</u>	<u>8,399,667</u>	<u>(248,838)</u>
<b><u>EXPENSES</u></b>					
11 Instructional	3,314,429	3,124,044	(190,385)	3,625,060	(501,016) (5)
13 Curriculum Development and Instructional Staff Development	-	-	-	29,460	(29,460) (5)
23 School Leadership	952,663	897,099	(55,564)	364,356	532,743
31 Guidance, Counseling, and Evaluation Services	99,715	93,826	(5,889)	-	93,826
33 Health Services	4,350	4,113	(237)	-	4,113
34 Student Transportation	400,000	378,187	(21,813)	447,273	(69,086) (5)
35 Food Services	278,084	262,919	(15,165)	277,744	(14,825)
36 Extracurricular Activities	150,000	141,820	(8,180)	-	141,820
41 General Administration	785,857	742,189	(43,668)	1,083,235	(341,046) (5)
51 Facilities Maintenance and Operations	1,798,863	1,698,216	(100,647)	852,179	846,037
52 Security and Monitoring Services	5,500	5,200	(300)	-	5,200
53 Data Processing Services	85,000	80,365	(4,635)	153	80,212
61 Community Service	367,701	345,983	(21,718)	598,955	(252,972) (5)
71 Debt Service	-	-	-	915,855	(915,855) (5)
81 Fund Raising	12,000	11,346	(654)	550	10,796
<b>TOTAL EXPENSES</b>	<u>8,254,162</u>	<u>7,785,307</u>	<u>(468,855)</u>	<u>8,194,820</u>	<u>(420,309)</u>
<b>CHANGE IN NET ASSETS</b>	528,446	863,198	(602,958)	204,847	(669,147)
<b>NET ASSETS, Beginning of Year</b>	<u>1,050,904</u>	<u>1,050,904</u>	<u>-</u>	<u>1,050,904</u>	<u>-</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 1,579,350</u>	<u>\$ 1,914,102</u>	<u>\$ (602,958)</u>	<u>\$ 1,255,751</u>	<u>\$ (669,147)</u>

(1) Increase in budgeted amount is primarily due to the School identifying additional local sources of revenue to offset lower than expected state revenues.

(2) Decrease in budgeted amount is primarily due to School not meeting its anticipated enrollment numbers.

(3) Decrease in budgeted amount is primarily due to more grant funds used in the prior fiscal period than previously expected. Not as much funding left for current year.

(4) Unfavorable variance due to the School not receiving a charter replication grant as expected for its second campus.

(5) Unfavorable variance due to the School's final budget not capturing expenses in the proper function code. School will improve budgeting in future years.

(6) Unfavorable variance due to the School not receiving any state program funding from Texas Education Agency as was anticipated.

See independent auditor's report.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS**  
**For the Year Ended June 30, 2023**

**Section A: Compensatory Education Programs**

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.104.

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 396,465
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 305,486

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**Section B: Bilingual Education Programs**

Districts are required to spend at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.105.

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 7,382
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$ 5,313

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS**  
**For the Year Ended June 30, 2023**

<b>Related Party Name</b>	<b>Name of Relation to the Related Party</b>	<b>Relationship</b>	<b>Compensation of Benefit</b>	<b>Payment Frequency</b>	<b>Description</b>	<b>Source of Funds Used</b>	<b>Total Paid during Fiscal Year</b>
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.



**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**SCHEDULE OF RELATED PARTY TRANSACTIONS**  
**For the Year Ended June 30, 2023**

<b>Related Party Name</b>	<b>Name of Relation to the Related Party</b>	<b>Relationship</b>	<b>Type of Transaction</b>	<b>Description of Terms and Conditions</b>	<b>Source of Funds Used</b>	<b>Payment Frequency</b>	<b>Total Paid during FY</b>	<b>Principal Balance Due</b>
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST**  
**For the Year Ended June 30, 2023**

<u>Description</u>	<u>Property Address</u>	<u>Total Assessed Value</u>	<u>Ownership Interest - Local</u>	<u>Ownership Interest - State</u>	<u>Ownership Interest - Federal</u>
Woodhaven East Addition, Block 7, Lot 1	301 Bridgewood Dr., Fort Worth, Tx 76112	\$ 563,316	\$ 563,316	\$ -	\$ -
Woodhaven East Addition, Block 7, Lot 2	300 E. Loop 820, Fort Worth, Tx 76112	7,476,012	7,476,012	-	-
<b>Total Real Property Ownership Interest</b>		<u>\$ 8,039,328</u>	<u>\$ 8,039,328</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	563,734
Accounts Receivable		98,095
Due from Texas Education Agency		453,684
Total Current Assets		1,115,513

**LONG-TERM ASSETS**

Property and Equipment - net		6,912,815
Total Long-Term Assets		6,912,815

**TOTAL ASSETS**      \$      8,028,328

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	23,251
Accrued Expenses		422,553
Other Current Liabilities		6,914
Total Current Liabilities		452,718

**LONG-TERM LIABILITIES**

Loan Payable		6,524,706
Total Long-Term Liabilities		6,524,706
<b>TOTAL LIABILITIES</b>		<b>6,977,424</b>

**NET ASSETS**

Without Donor Restrictions		1,050,904
<b>TOTAL NET ASSETS</b>		<b>1,050,904</b>

**TOTAL LIABILITIES AND NET ASSETS**      \$      8,028,328

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Six Months Ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b><u>OPERATING REVENUES AND OTHER SUPPORT</u></b>			
Local Support:			
5744 Donations	\$ 1,300,000	\$ -	\$ 1,300,000
Total Local Support	1,300,000	-	1,300,000
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency	-	453,684	453,684
Total Federal Program Revenues	-	453,684	453,684
Net Assets Released From Restrictions			
Restrictions Satisfied By Payments	453,684	(453,684)	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	1,753,684	-	1,753,684
<b><u>OPERATING EXPENSES</u></b>			
11 Instruction	322,487	-	322,487
23 School Leadership	36,015	-	36,015
51 Plant Maintenance and Operations	83,953	-	83,953
53 Data Processing	1,381	-	1,381
61 Community Service	258,944	-	258,944
<b>TOTAL OPERATING EXPENSES</b>	702,780	-	702,780
<b>CHANGE IN NET ASSETS</b>	1,050,904	-	1,050,904
<b>NET ASSETS, Beginning of Period</b>	-	-	-
<b>NET ASSETS, End of Period</b>	\$ 1,050,904	\$ -	\$ 1,050,904

See independent auditor's report.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Six Months Ended June 30, 2022**

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
<b><u>OPERATING EXPENSES</u></b>			
Salaries	\$ 165,640	\$ 41,410	\$ 207,050
Benefits	31,802	7,950	39,752
Total Payroll Expenses	<u>197,442</u>	<u>49,360</u>	<u>246,802</u>
Supplies	86,330	21,582	107,912
Consulting	72,366	18,092	90,458
Professional Fees	70,821	17,705	88,526
Instructional Materials	60,115	15,029	75,144
Miscellaneous	43,257	10,814	54,071
Travel	10,436	2,609	13,045
Rental Expense	10,414	2,604	13,018
Insurance and Bonding	5,727	1,432	7,159
Utilities	4,810	1,203	6,013
Depreciation	445	111	556
Food/Non-Food Expenses	42	10	52
Contracted Services	19	5	24
<b>TOTAL OPERATING EXPENSES</b>	<b><u><u>\$ 562,224</u></u></b>	<b><u><u>\$ 140,556</u></u></b>	<b><u><u>\$ 702,780</u></u></b>

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**STATEMENT OF CASH FLOWS**  
**For the Six Months Ended June 30, 2022**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Grant Payments	\$ 453,684
Contributions and Fund-Raising Activities	1,300,000
Payments to Vendors for Goods and Services Rendered	(628,851)
Payments to Charter School Personnel for Services Rendered	(172,434)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>952,399</u></b>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Purchase of Building, Furniture, and Equipment	(6,913,371)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b><u>(6,913,371)</u></b>
 <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>	
Proceeds from Long-Term Debt	8,000,000
Payments on Long-Term Debt	(1,475,294)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b><u>6,524,706</u></b>
 <b>NET INCREASE IN CASH FLOWS</b>	 563,734
<b>CASH AND CASH EQUIVALENTS, Beginning of Period</b>	<b><u>-</u></b>
<b>CASH AND CASH EQUIVALENTS, End of Period</b>	<b><u>\$ 563,734</u></b>
 Reconciliation of Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Change in Net Assets	\$ 1,050,904
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	556
Increase in Assets:	
Accounts Receivable	(98,095)
Due from Texas Education Agency	(453,684)
Increase in Liabilities:	
Accounts Payable	23,251
Accrued Expenses	422,553
Other Current Liabilities	6,914
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 952,399</u></b>

See independent auditor's report.

## **SINGLE AUDIT SECTION**



**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2023**

<u>Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<b>U.S. Department of Agriculture:</b>			
Pass-Through Texas Department of Agriculture:			
National Child Nutrition Cluster:			
National School Breakfast Program	10.553	71402301	\$ 78,940
National School Lunch Program	10.555	71302301	132,111
Total National Child Nutrition Cluster			<u>211,051</u>
<i>Total U.S. Department of Agriculture</i>			<u>211,051</u>
<b>U.S. Department of Education:</b>			
Pass-Through Texas Education Agency:			
Special Education Cluster:			
Special Education Grants to States	84.027A	236600012208206000	53,954
Special Education Preschool Grants	84.173A	236600012208206000	1,161
Total Special Education Cluster			<u>55,115</u>
Title I Grants to Local Educational Agencies	84.010A	23610101220820	122,319
Improving Teacher Quality State Grants	84.367A	23694501220820	11,462
Charter Schools	84.282A	S282A200011	446,316
<i>Total U.S. Department of Education</i>			<u>635,212</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 846,263</u>

See accompanying notes to schedule of expenditures of federal awards.

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2023**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rocketship Public Schools Texas (the School) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - NON-PROFIT CHARTER SCHOOL CHART OF ACCOUNTS**

For all federal programs, the School used the net asset classes and codes specified by Texas Education Agency (TEA) in the *Special Supplement to Financial Accounting and Reporting, Non-Profit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by the grantor. Federal financial assistance is generally accounted for in temporarily restricted net asset codes.

**NOTE 4 - OTHER DISCLOSURES**

There were no loans or loan guarantees outstanding at year end.

The School has elected not to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

The School did not disburse any federal awards to subrecipients for the year ended June 30, 2023.

**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***

To the Board of Directors  
Rocketship Public Schools Texas  
Fort Worth, Texas

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 Public Schools Texas (the School), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, 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 November 17, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School’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 the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’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 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 or significant deficiencies. 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 the School’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 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.

*Randy Walker & Co.*

San Antonio, Texas

November 17, 2023

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

To the Board of Directors  
Rocketship Public Schools Texas  
Fort Worth, Texas

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

***Opinion on Each Major Federal Program***

We have audited Rocketship Public Schools Texas’ (the School’s) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School’s major federal programs for the year ended June 30, 2023. The School’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 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; 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 Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School 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 the School’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 the School’s federal programs.

### ***Auditor's 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 the School'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 generally accepted auditing standards, *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 the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 the School'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 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 the Uniform Guidance, 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.

### **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 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.

Rocketship Public Schools Texas  
Uniform Guidance Report

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.

*Randy Walker & Co.*

San Antonio, Texas  
November 17, 2023

**ROCKETSHIP PUBLIC SCHOOLS TEXAS**  
**SUMMARY OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2023**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements	None

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	None

**Major Programs**

***Federal***

84.282 Charter Schools	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Audit qualified as low-risk auditee	No

**Findings - Financial Statements Audit** None

**Findings and Questioned Costs - Major Federal Award Programs Audit** None