

A background image showing several children in purple polo shirts. A girl on the left is smiling with her hand near her mouth. A boy in the center is looking to the right and smiling. Another child is partially visible on the right. The image has a light purple overlay.

ROCKETSHIP

Milwaukee Charter Review Committee

June 9, 2016





6,766
Rocketeers



13 Schools
Nationwide



Serving
PreK – 5th Grade



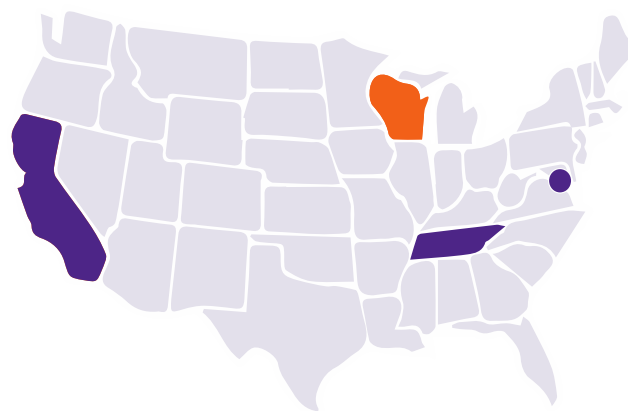
85%
Socioeconomically
Disadvantage



56%
English Learners

ROCKETSHIP

is a non-profit network of public charter schools serving primarily low-income communities with limited access to excellent elementary schools.



Strong Start

Southside Community Prep Earns Top DPI Honor



84%

Socioeconomically
Disadvantaged

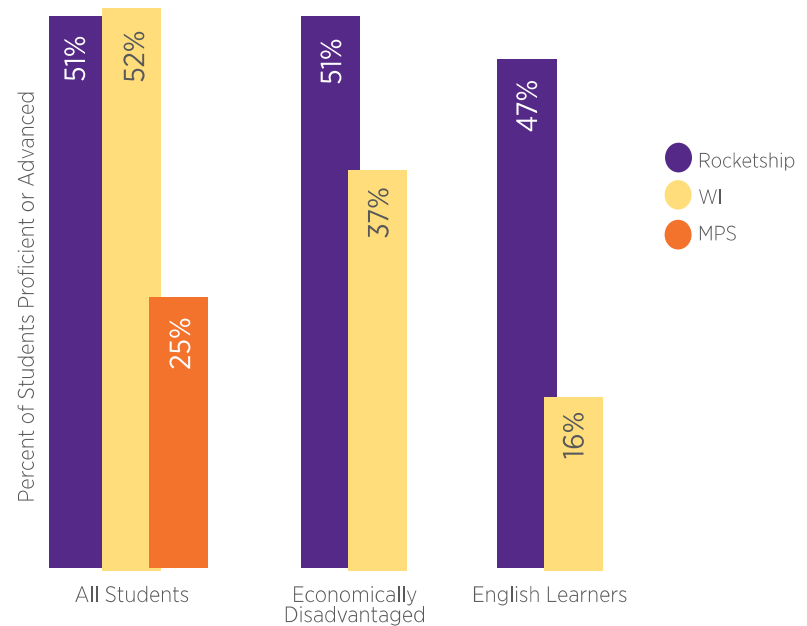


46%

English Language
Learners

2014-15 Badger Exam Results for Grades 3-5

Percent of Students Proficient or Advanced in ELA



Notes: All scores are calculated using a student with no score counting as not proficient

Source: Wisconsin Department of Public Instruction



Student Growth

Driving Gap-Closing Gains Every Single Year



In 2014-15 Milwaukee Rocketeers grew...

1.5 years in math

1.4 years in reading

Grade level growth



Rocketeers with IEP's grew...

2.2 years in math

1.75 years in reading

Grade level growth



Network Support Resources & Professional Development That Support All Schools

Achievement Team

- Develops a common instructional framework, unit planning templates, and classroom tools to support teachers across the network.

Schools Team

- Provides on-site school culture development support and professional development and coaching to all school leaders.



Helping Schools Focus More Time on Instruction

Rocketship's centralized support team eases the administrative burden of our schools, so they can focus exclusively on instruction and student achievement.

- Accounting & Payroll
- Human Resources
- Legal
- Teacher Recruitment
- Talent Management
- Student Recruitment
- Parent Leadership
- Data Analysis
- Information Technology
- Facilities Management
- Governance
- Compliance
- Development
- Communications



Typical Rocketship School Financial Trajectory

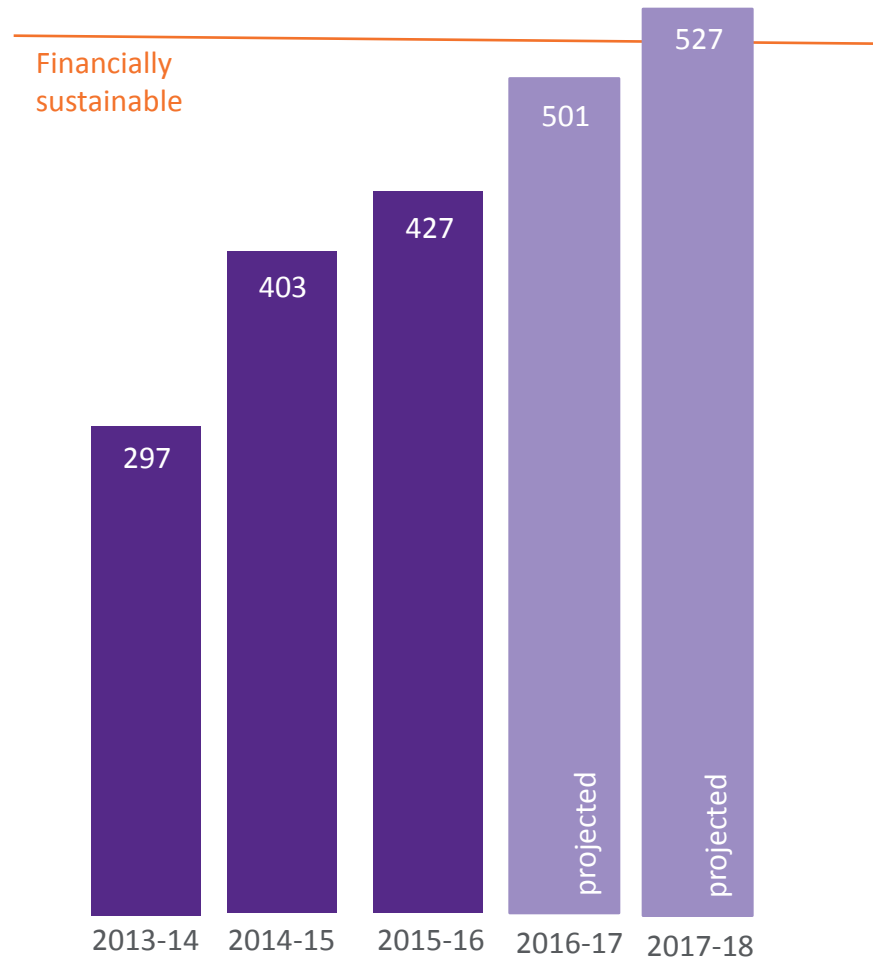
A 3-5 Year Plan To Reach Financial Sustainability

(\$ in Thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Enrollment</i>	392	475	540	579	592
Public Revenues	3,528	4,273	4,864	5,212	5,326
Philanthropy	-	-	-	-	-
Total Revenues	3,528	4,273	4,864	5,212	5,326
Compensation	1,962	2,278	2,475	2,609	2,657
Non-Compensation	1,314	1,169	1,269	1,326	1,343
Facilities	650	650	650	550	550
Central Office Support	444	547	630	679	694
Total Expenses	4,371	4,644	5,024	5,164	5,245
Change in Net Assets (CINA)	(843)	(371)	(161)	48	81
<i>CINA w/out Central Office Reimbursement</i>	<i>(399)</i>	<i>176</i>	<i>470</i>	<i>726</i>	<i>775</i>

- Although RSED tends to open much larger than other charter schools, schools are not expected to reach full enrollment until after a few years of operation.
- Until schools reach full capacity, a typical school can accumulate a deficit of upwards of \$1.4M over the first few years of operation.
- Depending on the school and region this deficit is covered by one or more of the following:
 - External low interest financing (i.e. CSFA Revolving Loans, Walton Start-up Funding);
 - Philanthropy;
 - Intra-company loan from Rocketship Education;
 - Deferred payments for central office support.
- Removing the effect of the Central Office Reimbursement cost, a school's revenue is able to cover its direct school costs by its second year of operation.



Southside Community Prep Enrollment On the Path To Financial Sustainability



Southside Community Prep Path to Sustainability Projected to Break-Even in 2017-18

(\$ in Thousands)	2014/15	2015/16	2016/17	2017/18	2018/19
	<i>Actual</i>	<i>Forecast</i>	<i>Budget</i>	<i>Projection</i>	<i>Projection</i>
<i>Enrollment</i>	403	427	501	527	545
Revenues					
Public Revenues	3,755	4,124	4,615	5,056	5,230
Philanthropy	6	3	-	-	-
Total Revenues	3,761	4,127	4,615	5,056	5,230
Expenses					
Compensation	2,154	2,021	2,362	2,382	2,437
Non-Compensation	1,181	1,404	1,452	1,474	1,515
Facilities	610	652	524	524	524
Central Office Support	481	541	625	668	713
Total Expenses	4,427	4,618	4,963	5,048	5,188
Change in Net Assets (CINA)	(666)	(490)	(348)	8	42
<i>CINA w/out Central Office Reimbursement</i>	<i>(185)</i>	<i>50</i>	<i>277</i>	<i>676</i>	<i>755</i>

- RSCP is projected to break-even at 527 students.
- As RSCP continues to grow to full enrollment (~560 students), net assets will continue to increase.
- Once RSCP maintains an enrollment above ~530 students, it will be able to fully reimburse the central office for all deferrals and start making payments on the outstanding loan.
- Until that point, Rocketship Education will ensure the school has sufficient cash to meet its financial obligations by deferring additional support fees or providing additional loans, as necessary



End-of-Year Forecast

Rocketship Is On Track To Meet Its Budget

(\$ in Thousands)	RSCP			Rocketship Education Consol.		
	2015/16			2015/16		
	Budget	Actual	Variance	Budget	Actual	Variance
Enrollment	456	427	(29)			-
Public Revenues	4,232	4,124	(107)	78,987	77,938	(1,048)
Philanthropy	-	3	3	8,763	7,397	(1,366)
Total Revenues	4,232	4,127	(104)	87,749	85,335	(2,414)
Compensation	2,342	2,021	320	46,825	43,700	3,125
Non-Compensation	1,308	1,404	(96)	25,574	24,887	687
Facilities	601	652	(51)	12,600	11,653	947
Central Office Support	559	541	18	-	-	-
Total Expenses	4,809	4,618	191	85,000	80,241	4,759
Change in Net Assets (CINA)	(577)	(490)	87	2,750	5,095	2,345
<i>CINA w/out Central Support Reimbursement</i>	<i>(19)</i>	<i>50</i>	<i>69</i>			
EOP Cash	(408)	410	818	12,935	15,377	2,443
<i>Cash Reserves (% of Expenses)</i>	<i>-8%</i>	<i>9%</i>		<i>15%</i>	<i>19%</i>	

- Both RSCP and Rocketship, as a whole, are expected to end the year better than planned.
- While RSCP is still expected to run a deficit of \$490K, removing the reimbursement cost for the central support, RSCP's revenues are able to cover the school's direct costs in the current year
- Deferring this cost, RSCP is expected to end the year with 9% of cash reserves.



Rocketship Southside Community Prep

Financially Sound & Growing Stronger

All invoices paid within 30 days or less.

- Average payment time to vendors is **21 days** following receipt of invoice
 - As of March 31, 2016 (excluding payments owed to Rocketship Education):
 - Accounts Payable Balance = \$76K
 - Days Payable Outstanding = 15 days
-

Competitive compensation.

- Average 2015-16 Rocketship Teacher Salary = \$51,037
-

All quarterly interest amounts have been paid.

- Interest: LIBOR +250 bps, not to exceed 4%
 - Principal amount is not due until June 30, 2019
-

Facility leased with buyout option.

- RSCP partnered with the Turner-Agassi Charter School Facilities Fund to build RSCP's facility. School is leased by RSCP from Turner-Agassi.
- RSCP has an option to purchase the building from Turner Agassi starting in the 2016-17 school year.



Central Office Support

Rocketship Education provides much more than financial assistance

RSCP is allocated central office support costs of 15% of its revenues (excl. NSLP)



5% for Regional Supports:

- Principal Management
- Operations Management
- Student Recruitment
- Parent & Community Engagement
- Regional Development
- Authorizer Relations

10% for National Supports:

- Finance & Accounting
- Payroll
- HR
- Legal Support
- Student Information
- Student Data Analysis
- Talent Recruitment & Development
- Facilities Management
- Compliance
- Operational Policy Support
- Instructional Leadership
- Curriculum & Assessment Vision



Rocketship Education Financials (Consol.)

RSED has the financial wherewithal to provide assistance to all its schools

Rocketship Education Consolidated						
Statement of Financial Position (in thousands)						
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16¹
Assets						
Cash and Cash Equivalents	5,668	6,419	14,847	15,666	11,071	15,465
Investments	-	-	-	-	249	-
Accounts Receivables	5,377	9,987	10,442	13,719	6,422	7,520
Prepaid Expenses	72	262	1,082	1,419	802	597
Fixed Assets	12	42	1,126	2,297	3,590	4,377
Other Long-Term Assets	4,339	2,307	2,053	1,270	564	471
Total Assets	15,468	19,017	29,551	34,371	22,699	28,431
Liabilities and Net Assets						
Account Payable & Accrued Liabilities	1,445	1,914	3,498	3,896	4,345	3,203
Notes Payable - Current	110	2,223	6,444	11,978	403	259
Other Current Liabilities	63	-	1,636	623	441	4,265
Long-Term Liabilities	6,000	2,604	1,982	2,560	2,058	2,389
Accrued Liabilities - Long Term	-	601	611	1,895	3,377	3,098
Total Liabilities	7,618	7,341	14,170	20,952	10,624	13,214
Net Assets	7,849	11,676	15,381	13,418	12,075	15,217
Total Liabilities & Net Assets	15,468	19,017	29,551	34,371	22,699	28,431
Annual Expenses						
	12,720	22,379	37,239	57,458	68,858	80,241
<i>Cash Reserves (% of Expenses)</i>	<i>45%</i>	<i>29%</i>	<i>40%</i>	<i>27%</i>	<i>16%</i>	<i>19%</i>

Note: This is a consolidate view of all Rocketship entities (Parent, WI, and DC). Inter-company transfers (i.e. loans and deferrals eliminated)

[1] Reflects balance sheet as of 3/31/16

- Even with a negative net assets of \$1.4M at RSCP in 2014-15, Rocketship Education, on a consolidated basis, had a positive \$12M in net assets. Rocketship Education is on track to end the 2015-16 school year with \$15M of net assets.
- Rocketship Education sets an internal cash reserve target of 15%, which has been met each year for the last five years.

