

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2014

with comparative totals for June 30, 2013

	Rocketship Education	Launchpad Development Company	Eliminations	2014 Total	2013 Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents (notes 1,2)	\$ 15,665,929	\$ 17,392,976	\$ -	\$ 33,058,905	\$ 14,317,955
Restricted cash (note 1)	-	5,149,879	-	5,149,879	5,014,729
Accounts receivable (note 3)	12,845,326	368,766	(3,700,774)	9,513,318	9,880,618
Grants receivable (note 4)	873,694	-	-	873,694	593,008
Prepaid expenses and deposits	1,418,660	317,355	-	1,736,015	1,583,894
Total current assets	<u>30,803,609</u>	<u>23,228,976</u>	<u>(3,700,774)</u>	<u>50,331,811</u>	<u>31,390,204</u>
LONG-TERM ASSETS:					
Grants receivable (note 4)	420,022	-	-	420,022	703,443
Security deposits	850,000	-	(850,000)	-	-
Prepaid expenses and deposits	-	-	-	-	64,034
Note receivable	-	560,000	-	560,000	560,000
Deferred rent asset	-	1,733,439	(1,733,439)	-	-
Property, plant and equipment, net (note 5)	2,296,993	56,689,778	-	58,986,771	45,821,468
Total long-term assets	<u>3,567,015</u>	<u>58,983,217</u>	<u>(2,583,439)</u>	<u>59,966,793</u>	<u>47,148,945</u>
Total assets	<u>\$ 34,370,624</u>	<u>\$ 82,212,193</u>	<u>\$ (6,284,213)</u>	<u>\$ 110,298,604</u>	<u>\$ 78,539,149</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable and accrued liabilities	\$ 3,866,724	\$ 3,168,139	\$ (256,008)	\$ 6,778,855	\$ 3,343,879
Accrued interest	29,604	422,716	(3,929)	448,391	318,293
Deferred revenues	622,884	-	-	622,884	1,635,767
Current portion of loans payable (note 6)	11,977,795	9,421,859	(3,402,988)	17,996,666	7,453,675
Total current liabilities	<u>16,497,007</u>	<u>13,012,714</u>	<u>(3,662,925)</u>	<u>25,846,796</u>	<u>12,751,614</u>
LONG-TERM LIABILITIES:					
Security deposits	-	850,000	(850,000)	-	-
Accrued interest	77,459	-	-	77,459	116,862
Deferred rent liability	1,895,363	507,330	(1,771,288)	631,405	164,972
Convertible loans (note 6)	550,000	-	-	550,000	550,000
Loans payable (note 6)	1,932,500	67,903,916	-	69,836,416	49,074,491
Total long-term liabilities	<u>4,455,322</u>	<u>69,261,246</u>	<u>(2,621,288)</u>	<u>71,095,280</u>	<u>49,906,325</u>
NET ASSETS:					
Unrestricted	12,151,199	(61,767)	-	12,089,432	13,486,489
Temporarily restricted (note 7)	1,267,096	-	-	1,267,096	2,394,721
Total net assets	<u>13,418,295</u>	<u>(61,767)</u>	<u>-</u>	<u>13,356,528</u>	<u>15,881,210</u>
Total liabilities and net assets	<u>\$ 34,370,624</u>	<u>\$ 82,212,193</u>	<u>\$ (6,284,213)</u>	<u>\$ 110,298,604</u>	<u>\$ 78,539,149</u>

The accompanying notes are an integral part of these financial statements.

**ROCKETSHIP EDUCATION
AND ITS AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014
with comparative totals for the Year Ended June 30, 2013**

	Rocketship Education	Launchpad Development Company	Eliminations	2014 Total	2013 Total
UNRESTRICTED NET ASSETS:					
Revenues					
LCFF State Aid	\$ 23,505,887	\$ -	\$ -	\$ 23,505,887	\$ 16,670,573
Apportionment revenue	2,005,025	-	-	2,005,025	-
Property taxes	6,328,495	-	-	6,328,495	5,422,165
Other State revenue	8,107,055	-	-	8,107,055	6,279,357
Federal revenue	6,257,194	-	-	6,257,194	3,794,964
Other local revenue	499,326	7,438,137	(7,607,257)	330,206	246,867
Contributions	7,140,065	25,000	(25,000)	7,140,065	6,261,881
Amounts released from restriction	<u>2,780,203</u>	<u>-</u>	<u>-</u>	<u>2,780,203</u>	<u>1,422,347</u>
Total unrestricted revenues	<u>56,623,250</u>	<u>7,463,137</u>	<u>(7,632,257)</u>	<u>56,454,130</u>	<u>40,098,154</u>
Program Expenses					
Educational programs	<u>44,311,207</u>	<u>-</u>	<u>(7,325,748)</u>	<u>36,985,459</u>	<u>22,280,859</u>
Supporting Services					
Site supports and program development	9,269,009	7,902,053	(265,066)	16,905,996	10,775,327
Administration and general	<u>3,877,785</u>	<u>123,390</u>	<u>(41,443)</u>	<u>3,959,732</u>	<u>3,918,745</u>
Total supporting services	<u>13,146,794</u>	<u>8,025,443</u>	<u>(306,509)</u>	<u>20,865,728</u>	<u>14,694,072</u>
Total expenses	<u>57,458,001</u>	<u>8,025,443</u>	<u>(7,632,257)</u>	<u>57,851,187</u>	<u>36,974,931</u>
Increase (decrease) in unrestricted net assets	<u>(834,751)</u>	<u>(562,306)</u>	<u>-</u>	<u>(1,397,057)</u>	<u>3,123,223</u>
TEMPORARILY RESTRICTED NET ASSETS:					
Amounts released from restriction	(2,780,203)	-	-	(2,780,203)	(1,422,347)
Contributions	<u>1,652,578</u>	<u>-</u>	<u>-</u>	<u>1,652,578</u>	<u>2,247,235</u>
Increase (decrease) in temporarily restricted net assets	<u>(1,127,625)</u>	<u>-</u>	<u>-</u>	<u>(1,127,625)</u>	<u>824,888</u>
Beginning net assets	<u>15,380,671</u>	<u>500,539</u>	<u>-</u>	<u>15,881,210</u>	<u>11,933,099</u>
Ending net assets	<u>\$ 13,418,295</u>	<u>\$ (61,767)</u>	<u>\$ -</u>	<u>\$ 13,356,528</u>	<u>\$ 15,881,210</u>

The accompanying notes are an integral part of these financial statements.

ROCKETSHIP EDUCATION AND ITS AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended June 30, 2014 with comparative totals for the Year Ended June 30, 2013

	Rocketship Education	Launchpad Development Company	Eliminations	2014 Total	2013 Total
CASH FLOWS from OPERATING ACTIVITIES:					
Change in Net Assets	\$ (1,962,376)	\$ (562,306)	\$ -	\$ (2,524,682)	\$ 3,948,111
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation and amortization	168,755	1,285,063	-	1,453,818	1,473,483
Allowance for non-recoverable project costs	-	670,656	-	670,656	321,492
Debt forgiven through grant agreement	(566,782)	-	-	(566,782)	(1,376,033)
(Increase) or decrease in operating assets:					
Accounts receivable	(1,895,442)	66,395	3,296,938	1,467,891	(2,196,302)
Grants receivable	2,735	-	-	2,735	(380,486)
Prepaid expenses and other current assets	227,737	184,176	(500,000)	(88,087)	(1,240,883)
Deferred rent asset	-	(1,122,531)	1,122,531	-	-
Increase or (decrease) in operating liabilities:					
Accounts payable and accrued liabilities	(721,569)	230,639	106,050	(384,880)	1,096,710
Deferred revenues	(1,012,883)	-	-	(1,012,883)	1,635,767
Deferred rent liability	1,272,632	342,358	(1,122,531)	492,459	164,972
Net cash provided (used) by operating activities	<u>(4,487,193)</u>	<u>1,094,450</u>	<u>2,902,988</u>	<u>(489,755)</u>	<u>3,446,831</u>
CASH FLOWS from INVESTING ACTIVITIES:					
Proceeds from sale of property, plant and equipment	-	770,000	-	770,000	1,650,071
Purchases of property, plant and equipment	<u>(1,403,751)</u>	<u>(11,802,555)</u>	<u>-</u>	<u>(13,206,306)</u>	<u>(9,115,145)</u>
Net cash used by investing activities	<u>(1,403,751)</u>	<u>(11,032,555)</u>	<u>-</u>	<u>(12,436,306)</u>	<u>(7,465,074)</u>
CASH FLOWS from FINANCING ACTIVITIES:					
Change in restricted cash	2,290,231	(2,425,381)	-	(135,150)	(3,087,080)
Receipt (return) of long-term security deposits	-	(500,000)	500,000	-	-
Change in lines of credit	-	-	-	-	(1,000,000)
Proceeds from debt	13,095,295	38,224,317	(3,402,988)	47,916,624	19,025,730
Repayment of debt	<u>(6,385,378)</u>	<u>(9,729,085)</u>	<u>-</u>	<u>(16,114,463)</u>	<u>(5,775,334)</u>
Net cash provided (used) by financing activities	<u>9,000,148</u>	<u>25,569,851</u>	<u>(2,902,988)</u>	<u>31,667,011</u>	<u>9,163,316</u>
Net increase in cash and cash equivalents	3,109,204	15,631,746	-	18,740,950	5,145,073
Cash and cash equivalents at the beginning of the year	<u>12,556,725</u>	<u>1,761,230</u>	<u>-</u>	<u>14,317,955</u>	<u>9,172,882</u>
Cash and cash equivalents at the end of the year	<u>\$ 15,665,929</u>	<u>\$ 17,392,976</u>	<u>\$ -</u>	<u>\$ 33,058,905</u>	<u>\$ 14,317,955</u>
CASH PAID FOR INTEREST (Net)	<u>\$ 99,651</u>	<u>\$ 3,615,989</u>	<u>\$ -</u>	<u>\$ 3,715,640</u>	<u>\$ 3,066,545</u>
CAPITALIZED INTEREST	<u>\$ -</u>	<u>\$ 162,839</u>	<u>\$ -</u>	<u>\$ 162,839</u>	<u>\$ 18,764</u>

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