

ROCKETSHIP EDUCATION AND ITS AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2012

with comparative totals for June 30, 2011

	<u>Rocketship Schools</u>	<u>Launchpad</u>	<u>Eliminations</u>	<u>2012 Total</u>	<u>2011 Total</u>
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents (notes 1,2)	\$ 6,418,611	\$ 2,754,271	\$ -	\$ 9,172,882	\$ 9,369,115
Restricted cash (note 1)		1,927,649		1,927,649	909,959
Accounts receivable (note 3)	9,653,828	630,278	(2,356,725)	7,927,381	4,154,307
Grants receivable (note 4)	333,598			333,598	1,083,000
Prepaid expenses and deposits	261,631	157,884	(12,470)	407,045	145,658
Total current assets	<u>16,667,668</u>	<u>5,470,082</u>	<u>(2,369,195)</u>	<u>19,768,555</u>	<u>15,662,039</u>
LONG-TERM ASSETS:					
Grants receivable (note 4)	582,367			582,367	-
Security deposits	1,725,000		(1,725,000)	-	-
Deferred rent asset		601,008	(601,008)	-	-
Property, plant & equipment	113,957	44,884,973		44,998,930	33,809,829
Less: Accumulated depreciation	(71,893)	(2,330,216)		(2,402,109)	(1,339,161)
Total property, plant and equipment, net (note 5)	<u>42,064</u>	<u>42,554,757</u>	<u>-</u>	<u>42,596,821</u>	<u>32,470,668</u>
Total long-term assets	<u>2,349,431</u>	<u>43,155,765</u>	<u>(2,326,008)</u>	<u>43,179,188</u>	<u>32,470,668</u>
Total assets	<u>\$ 19,017,099</u>	<u>\$ 48,625,847</u>	<u>\$ (4,695,203)</u>	<u>\$ 62,947,743</u>	<u>\$ 48,132,707</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 552,023	\$ 2,961,520	\$ (364,516)	\$ 3,149,027	\$ 2,860,799
Accrued liabilities	1,362,393			1,362,393	977,248
Deferred revenues		12,470	(12,470)	-	62,500
Accrued interest	12,521	233,310	(20,929)	224,902	89,014
Lines of credit (note 12)	1,000,000			1,000,000	-
Current portion of loans payable (note 6)	<u>1,210,000</u>	<u>2,836,712</u>	<u>(1,971,280)</u>	<u>2,075,432</u>	<u>256,660</u>
Total current liabilities	<u>4,136,937</u>	<u>6,044,012</u>	<u>(2,369,195)</u>	<u>7,811,754</u>	<u>4,246,221</u>
LONG-TERM LIABILITIES:					
Security deposits		1,725,000	(1,725,000)	-	-
Accrued interest	203,554			203,554	190,407
Deferred rent liability	601,008		(601,008)	-	-
Convertible loans (note 6)	1,800,000			1,800,000	1,800,000
Loans payable (note 6)	<u>600,000</u>	<u>40,599,336</u>	<u></u>	<u>41,199,336</u>	<u>32,683,939</u>
Total long-term liabilities	<u>3,204,562</u>	<u>42,324,336</u>	<u>(2,326,008)</u>	<u>43,202,890</u>	<u>34,674,346</u>
NET ASSETS:					
Unrestricted	10,105,767	257,499		10,363,266	7,629,140
Temporarily restricted (note 7)	<u>1,569,833</u>	<u></u>	<u></u>	<u>1,569,833</u>	<u>1,583,000</u>
Total net assets	<u>11,675,600</u>	<u>257,499</u>	<u>-</u>	<u>11,933,099</u>	<u>9,212,140</u>
Total liabilities and net assets	<u>\$ 19,017,099</u>	<u>\$ 48,625,847</u>	<u>\$ (4,695,203)</u>	<u>\$ 62,947,743</u>	<u>\$ 48,132,707</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, 2012
with comparative totals for the Year Ended June 30, 2011**

	<u>Rocketship Schools</u>	<u>Launchpad</u>	<u>Eliminations</u>	<u>2012 Total</u>	<u>2011 Total</u>
UNRESTRICTED NET ASSETS:					
Revenues					
Apportionment revenue	\$ 7,750,396	\$ -	\$ -	\$ 7,750,396	\$ 3,808,147
Categorical grant revenue	2,234,521			2,234,521	1,286,595
Property taxes	4,178,669			4,178,669	2,757,142
Other State revenue	3,612,096			3,612,096	2,158,917
Federal revenue	2,791,168			2,791,168	1,846,344
Other local revenue	213,005	3,161,065	(3,214,812)	159,258	1,284,251
Contributions	3,855,090	187,546	(194,233)	3,848,403	5,833,925
Amounts released from restriction	<u>1,583,000</u>			<u>1,583,000</u>	<u>-</u>
Total unrestricted revenues	<u>26,217,945</u>	<u>3,348,611</u>	<u>(3,409,045)</u>	<u>26,157,511</u>	<u>18,975,321</u>
Program Expenses					
Educational programs	<u>16,278,559</u>	<u>-</u>	<u>(3,148,297)</u>	<u>13,130,262</u>	<u>7,620,063</u>
Supporting Services					
Site supports	1,950,305	3,783,288	(59,823)	5,673,770	2,719,223
Program development and expansion	1,247,345		(100,000)	1,147,345	735,481
Administration and general	<u>2,902,390</u>	<u>670,543</u>	<u>(100,925)</u>	<u>3,472,008</u>	<u>2,490,378</u>
Total supporting services	<u>6,100,040</u>	<u>4,453,831</u>	<u>(260,748)</u>	<u>10,293,123</u>	<u>5,945,082</u>
Total expenses	<u>22,378,599</u>	<u>4,453,831</u>	<u>(3,409,045)</u>	<u>23,423,385</u>	<u>13,565,145</u>
Increase (decrease) in unrestricted net assets	<u>3,839,346</u>	<u>(1,105,220)</u>	<u>-</u>	<u>2,734,126</u>	<u>5,410,176</u>
TEMPORARILY RESTRICTED NET ASSETS:					
Amounts released from restriction	(1,583,000)			(1,583,000)	-
Contributions	<u>1,569,833</u>	<u>-</u>	<u>-</u>	<u>1,569,833</u>	<u>1,583,000</u>
Increase (decrease) in temporarily restricted net assets	<u>(13,167)</u>	<u>-</u>	<u>-</u>	<u>(13,167)</u>	<u>1,583,000</u>
Beginning net assets	<u>7,849,421</u>	<u>1,362,719</u>	<u>-</u>	<u>9,212,140</u>	<u>2,218,964</u>
Ending net assets	<u>\$ 11,675,600</u>	<u>\$ 257,499</u>	<u>\$ -</u>	<u>\$ 11,933,099</u>	<u>\$ 9,212,140</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, 2012
with comparative totals for the Year Ended June 30, 2011

	Rocketship Schools	Launchpad	Eliminations	2012 Total	2011 Total
CASH FLOWS from OPERATING ACTIVITIES:					
Change in Net Assets	\$ 3,826,179	\$ (1,105,220)	\$ -	\$ 2,720,959	\$ 6,993,176
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation and amortization	4,189	1,060,954		1,065,143	607,170
Debt forgiven through grant agreement	(539,232)			(539,232)	(650,000)
Donation of in-kind property	(6,687)			(6,687)	-
(Increase) or decrease in operating assets:					
Accounts receivable	(6,816,740)	276,352	1,637,130	(4,903,258)	(3,141,035)
Grants receivable	167,035			167,035	(1,083,000)
Prepaid expenses and other current assets	(1,089,404)	(84,453)	912,470	(261,387)	73,200
Deferred rent asset		(601,008)	601,008	-	-
Increase or (decrease) in operating liabilities:					
Accounts payable and accrued liabilities	1,990,829	(381,889)	334,150	1,943,090	1,339,028
Deferred revenues	(62,500)	12,470	(12,470)	(62,500)	62,500
Deferred rent liability	601,008		(601,008)	-	-
Net cash provided (used) by operating activities	<u>(1,925,323)</u>	<u>(822,794)</u>	<u>2,871,280</u>	<u>123,163</u>	<u>4,201,039</u>
CASH FLOWS from INVESTING ACTIVITIES:					
Payment on notes receivable	3,513,614		(3,513,614)	-	-
Purchases of property, plant and equipment	<u>(27,433)</u>	<u>(11,106,248)</u>		<u>(11,133,681)</u>	<u>(14,287,712)</u>
Net cash provided (used) by investing activities	<u>3,486,181</u>	<u>(11,106,248)</u>	<u>(3,513,614)</u>	<u>(11,133,681)</u>	<u>(14,287,712)</u>
CASH FLOWS from FINANCING ACTIVITIES:					
Change in restricted cash		(1,017,690)		(1,017,690)	(869,940)
Receipt of long-term security deposits		900,000	(900,000)	-	-
Change in lines of credit	1,000,000			1,000,000	-
Proceeds from debt	1,850,000	16,447,646	(1,971,280)	16,326,366	(236,428)
Repayment of debt	<u>(3,660,000)</u>	<u>(5,348,005)</u>	<u>3,513,614</u>	<u>(5,494,391)</u>	<u>13,561,059</u>
Net cash provided (used) by financing activities	<u>(810,000)</u>	<u>10,981,951</u>	<u>642,334</u>	<u>10,814,285</u>	<u>12,454,691</u>
Net increase (decrease) in cash and cash equivalents	750,858	(947,091)	-	(196,233)	2,368,018
Cash and cash equivalents at the beginning of the year	<u>5,667,753</u>	<u>3,701,362</u>	<u>-</u>	<u>9,369,115</u>	<u>7,001,097</u>
Cash and cash equivalents at the end of the year	<u>\$ 6,418,611</u>	<u>\$ 2,754,271</u>	<u>\$ -</u>	<u>\$ 9,172,882</u>	<u>\$ 9,369,115</u>
CASH PAID FOR INTEREST (Net)	<u>\$ 39,575</u>	<u>\$ 2,261,005</u>	<u>\$ -</u>	<u>\$ 2,300,580</u>	<u>\$ 1,145,472</u>
CAPITALIZED INTEREST	<u>\$ -</u>	<u>\$ 120,316</u>	<u>\$ -</u>	<u>\$ 120,316</u>	<u>\$ 152,186</u>

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