

ROCKETSHIP EDUCATION AND ITS AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2013

with comparative totals for June 30, 2012

	Rocketship Education	Launchpad Development Company	Eliminations	2013 Total	2012 Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents (notes 1,2)	\$ 12,556,725	\$ 1,761,230	\$ -	\$ 14,317,955	\$ 9,172,882
Restricted cash (note 1)	2,290,231	2,724,498		5,014,729	1,927,649
Accounts receivable (note 3)	9,849,293	435,161	(403,836)	9,880,618	7,927,381
Grants receivable (note 4)	593,008			593,008	333,598
Prepaid expenses and deposits	1,082,363	501,531		1,583,894	407,045
Total current assets	<u>26,371,620</u>	<u>5,422,420</u>	<u>(403,836)</u>	<u>31,390,204</u>	<u>19,768,555</u>
LONG-TERM ASSETS:					
Grants receivable (note 4)	703,443			703,443	582,367
Security deposits	1,350,000		(1,350,000)	-	-
Prepaid expenses and deposits	64,034			64,034	-
Note receivable		560,000		560,000	-
Deferred rent asset		610,908	(610,908)	-	-
Property, plant & equipment	1,253,341	48,440,713		49,694,054	44,998,930
Less: Accumulated depreciation	(191,344)	(3,681,242)		(3,872,586)	(2,402,109)
Total property, plant and equipment, net (note 5)	<u>1,061,997</u>	<u>44,759,471</u>	<u>-</u>	<u>45,821,468</u>	<u>42,596,821</u>
Total long-term assets	<u>3,179,474</u>	<u>45,930,379</u>	<u>(1,960,908)</u>	<u>47,148,945</u>	<u>43,179,188</u>
Total assets	<u>\$ 29,551,094</u>	<u>\$ 51,352,799</u>	<u>\$ (2,364,744)</u>	<u>\$ 78,539,149</u>	<u>\$ 62,947,743</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 1,940,552	\$ 250,066	\$ (403,836)	\$ 1,786,782	\$ 3,149,027
Accrued liabilities	1,557,097			1,557,097	1,362,393
Deferred revenues	1,635,767			1,635,767	-
Accrued interest	58,859	259,434		318,293	224,902
Line of credit				-	1,000,000
Current portion of loans payable (note 6)	6,385,378	1,068,297		7,453,675	2,075,432
Total current liabilities	<u>11,577,653</u>	<u>1,577,797</u>	<u>(403,836)</u>	<u>12,751,614</u>	<u>7,811,754</u>
LONG-TERM LIABILITIES:					
Security deposits		1,350,000	(1,350,000)	-	-
Accrued interest	116,862			116,862	203,554
Deferred rent liability	610,908	164,972	(610,908)	164,972	-
Convertible loans (note 6)	550,000			550,000	1,800,000
Loans payable (note 6)	1,315,000	47,759,491		49,074,491	41,199,336
Total long-term liabilities	<u>2,592,770</u>	<u>49,274,463</u>	<u>(1,960,908)</u>	<u>49,906,325</u>	<u>43,202,890</u>
NET ASSETS:					
Unrestricted	12,985,950	500,539		13,486,489	10,363,266
Temporarily restricted (note 7)	2,394,721			2,394,721	1,569,833
Total net assets	<u>15,380,671</u>	<u>500,539</u>	<u>-</u>	<u>15,881,210</u>	<u>11,933,099</u>
Total liabilities and net assets	<u>\$ 29,551,094</u>	<u>\$ 51,352,799</u>	<u>\$ (2,364,744)</u>	<u>\$ 78,539,149</u>	<u>\$ 62,947,743</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, 2013
with comparative totals for the Year Ended June 30, 2012**

	Rocketship Education	Launchpad Development Company	Eliminations	2013 Total	2012 Total
UNRESTRICTED NET ASSETS:					
Revenues					
Apportionment revenue	\$ 13,345,784	\$ -	\$ -	\$ 13,345,784	\$ 7,750,396
Categorical grant revenue	3,324,789			3,324,789	2,234,521
Property taxes	5,422,165			5,422,165	4,178,669
Other State revenue	6,279,357			6,279,357	3,612,096
Federal revenue	3,794,964			3,794,964	2,791,168
Other local revenue	267,858	5,516,429	(5,537,420)	246,867	159,258
Contributions	6,261,881	25,000	(25,000)	6,261,881	3,848,403
Amounts released from restriction	1,422,347			1,422,347	1,583,000
Total unrestricted revenues	<u>40,119,145</u>	<u>5,541,429</u>	<u>(5,562,420)</u>	<u>40,098,154</u>	<u>26,157,511</u>
Program Expenses					
Educational programs	<u>27,291,888</u>	<u>-</u>	<u>(5,011,029)</u>	<u>22,280,859</u>	<u>13,130,262</u>
Supporting Services					
Site supports and program development	6,113,135	5,175,269	(513,077)	10,775,327	6,821,115
Administration and general	<u>3,833,939</u>	<u>123,120</u>	<u>(38,314)</u>	<u>3,918,745</u>	<u>3,472,008</u>
Total supporting services	<u>9,947,074</u>	<u>5,298,389</u>	<u>(551,391)</u>	<u>14,694,072</u>	<u>10,293,123</u>
Total expenses	<u>37,238,962</u>	<u>5,298,389</u>	<u>(5,562,420)</u>	<u>36,974,931</u>	<u>23,423,385</u>
Increase in unrestricted net assets	<u>2,880,183</u>	<u>243,040</u>	<u>-</u>	<u>3,123,223</u>	<u>2,734,126</u>
TEMPORARILY RESTRICTED NET ASSETS:					
Amounts released from restriction	(1,422,347)			(1,422,347)	(1,583,000)
Contributions	<u>2,247,235</u>			<u>2,247,235</u>	<u>1,569,833</u>
Increase (decrease) in temporarily restricted net assets	<u>824,888</u>	<u>-</u>	<u>-</u>	<u>824,888</u>	<u>(13,167)</u>
Beginning net assets	<u>11,675,600</u>	<u>257,499</u>	<u>-</u>	<u>11,933,099</u>	<u>9,212,140</u>
Ending net assets	<u>\$ 15,380,671</u>	<u>\$ 500,539</u>	<u>\$ -</u>	<u>\$ 15,881,210</u>	<u>\$ 11,933,099</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, 2013
with comparative totals for the Year Ended June 30, 2012

	Rocketship Education	Launchpad Development Company	Eliminations	2013 Total	2012 Total
CASH FLOWS from OPERATING ACTIVITIES:					
Change in Net Assets	\$ 3,705,071	\$ 243,040	\$ -	\$ 3,948,111	\$ 2,720,959
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation and amortization	119,451	1,354,032		1,473,483	1,065,143
Loss on disposal of property, plant and equipment		321,492		321,492	-
Debt forgiven through grant agreement	(1,376,033)			(1,376,033)	(539,232)
Donation of in-kind property				-	(6,687)
(Increase) or decrease in operating assets:					
Accounts receivable	19,644	(263,057)	(1,952,889)	(2,196,302)	(4,903,258)
Grants receivable	(380,486)			(380,486)	167,035
Prepaid expenses and other current assets	(509,766)	(343,647)	(387,470)	(1,240,883)	(261,387)
Deferred rent asset		(9,900)	9,900	-	-
Increase or (decrease) in operating liabilities:					
Accounts payable and accrued liabilities	1,453,803	(338,702)	(18,391)	1,096,710	1,943,090
Deferred revenues	1,635,767	(12,470)	12,470	1,635,767	(62,500)
Deferred rent liability	9,900	164,972	(9,900)	164,972	-
Net cash provided (used) by operating activities	<u>4,677,351</u>	<u>1,115,760</u>	<u>(2,346,280)</u>	<u>3,446,831</u>	<u>123,163</u>
CASH FLOWS from INVESTING ACTIVITIES:					
Proceeds from sale of property, plant and equipment		1,650,071		1,650,071	-
Purchases of property, plant and equipment	(1,139,384)	(7,975,761)		(9,115,145)	(11,133,681)
Net cash used by investing activities	<u>(1,139,384)</u>	<u>(6,325,690)</u>	<u>-</u>	<u>(7,465,074)</u>	<u>(11,133,681)</u>
CASH FLOWS from FINANCING ACTIVITIES:					
Change in restricted cash	(2,290,231)	(796,849)		(3,087,080)	(1,017,690)
Receipt (return) of long-term security deposits		(375,000)	375,000	-	-
Change in lines of credit	(1,000,000)			(1,000,000)	1,000,000
Proceeds from debt	7,162,878	11,862,852		19,025,730	16,326,366
Repayment of debt	(1,272,500)	(6,474,114)	1,971,280	(5,775,334)	(5,494,391)
Net cash provided (used) by financing activities	<u>2,600,147</u>	<u>4,216,889</u>	<u>2,346,280</u>	<u>9,163,316</u>	<u>10,814,285</u>
Net increase (decrease) in cash and cash equivalents	6,138,114	(993,041)	-	5,145,073	(196,233)
Cash and cash equivalents at the beginning of the year	6,418,611	2,754,271	-	9,172,882	9,369,115
Cash and cash equivalents at the end 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 PAID FOR INTEREST (Net)	<u>\$ 34,087</u>	<u>\$ 3,032,458</u>	<u>\$ -</u>	<u>\$ 3,066,545</u>	<u>\$ 2,300,580</u>
CAPITALIZED INTEREST	<u>\$ -</u>	<u>\$ 18,764</u>	<u>\$ -</u>	<u>\$ 18,764</u>	<u>\$ 120,316</u>

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