

ROCKETSHIP EDUCATION AND ITS AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2009 AND 2008

| ASSETS | | |
|---|---------------------------------|--------------------------------|
| | <u>2009</u> | <u>2008</u> |
| CURRENT ASSETS | | |
| Cash and equivalents | \$ 4,525,789 | \$ 1,320 |
| Cash and equivalents - restricted | 90,000 | |
| Investments | 1,000,123 | |
| Accounts receivable | 689,432 | 132,089 |
| Prepaid expenses and deposits | <u>127,932</u> | <u>53,930</u> |
| Total current assets | 6,433,276 | 187,339 |
| PROPERTY AND EQUIPMENT - Net | <u>11,093,436</u> | <u>4,227,191</u> |
| TOTAL ASSETS | <u><u>\$ 17,526,712</u></u> | <u><u>\$ 4,414,530</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 1,578,162 | \$ 131,797 |
| Accrued expenses | 92,726 | 36,771 |
| Accrued interest | 22,360 | |
| Notes payable, current portion | <u>436,245</u> | <u>100,207</u> |
| Total current liabilities | 2,129,493 | 268,775 |
| LONG-TERM LIABILITIES | | |
| Accrued long-term liabilities | | 2,515,663 |
| Accrued interest | 23,321 | |
| Notes payable | <u>14,360,313</u> | <u>1,233,742</u> |
| Total liabilities | <u>16,513,127</u> | <u>4,018,180</u> |
| NET ASSETS | | |
| Unrestricted | 1,013,585 | 393,886 |
| Temporarily restricted | <u></u> | <u>2,464</u> |
| Total net assets | <u>1,013,585</u> | <u>396,350</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 17,526,712</u></u> | <u><u>\$ 4,414,530</u></u> |

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2009 AND PERIOD FROM INCEPTION (OCTOBER 16, 2006) THROUGH JUNE 30, 2008

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|-------------------|
| CHANGES IN UNRESTRICTED NET ASSETS: | | |
| SUPPORT AND REVENUE | | |
| Private grants and contributions | \$ 791,887 | \$ 405,402 |
| In-kind contributions | 156,000 | 126,118 |
| Federal revenue | 367,023 | 582,481 |
| State revenue: | | |
| State aid portion of general purpose block grant | 30,690 | 63,249 |
| Categorical block grant | 216,738 | 142,653 |
| Lottery revenue | 35,301 | 17,710 |
| All other state revenue | 549,345 | 178,704 |
| Local revenue: | | |
| Cash in-lieu of property taxes | 1,672,359 | 799,978 |
| Interest income | 4,542 | 454 |
| All other local revenue | <u>12,981</u> | <u>22,918</u> |
| Subtotal | 3,836,866 | 2,339,667 |
| Net assets released from restrictions | <u>275,480</u> | |
| Total support and revenue | <u>4,112,346</u> | <u>2,339,667</u> |
| EXPENSES | | |
| PROGRAM EXPENSES | | |
| Educational programs | <u>2,839,800</u> | <u>1,800,994</u> |
| SUPPORTING SERVICES | | |
| Site support | 198,060 | 144,787 |
| Development and expansion | 300,165 | |
| Management and general | <u>154,622</u> | |
| Total supporting services | <u>652,847</u> | <u>144,787</u> |
| Total expenses | <u>3,492,647</u> | <u>1,945,781</u> |
| Increase in Unrestricted Net Assets | <u>619,699</u> | <u>393,886</u> |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS: | | |
| State revenue | 159,975 | 2,464 |
| Federal revenue | 113,041 | |
| Net assets released from restrictions | <u>(275,480)</u> | |
| Increase (Decrease) in Temporarily Restricted Net Assets | <u>(2,464)</u> | <u>2,464</u> |
| INCREASE IN NET ASSETS | 617,235 | 396,350 |
| NET ASSETS - Beginning of Year | <u>396,350</u> | |
| NET ASSETS - End of Year | <u>\$ 1,013,585</u> | <u>\$ 396,350</u> |

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

ROCKETSHIP EDUCATION AND ITS AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEAR ENDED JUNE 30, 2009 AND PERIOD FROM INCEPTION (OCTOBER 16, 2006) THROUGH JUNE 30, 2008

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase in net assets | \$ 617,235 | \$ 396,350 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation | 285,270 | 15,898 |
| Unrealized gain on investments | (122) | |
| Debt forgiven through grant agreement | (400,000) | |
| Changes in assets: | | |
| Accounts receivable | (557,343) | (132,089) |
| Prepaid expenses and deposits | (74,002) | (53,930) |
| Changes in liabilities: | | |
| Accounts payable | 24,329 | 131,797 |
| Accrued expenses | <u>101,636</u> | <u>36,771</u> |
| Net cash provided by (used in) operating activities | <u>(2,997)</u> | <u>394,797</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investment | (1,000,001) | |
| Purchases of property and equipment | <u>(5,729,479)</u> | <u>(4,243,089)</u> |
| Net cash used in investing activities | <u>(6,729,480)</u> | <u>(4,243,089)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings on notes payable | 14,254,483 | 3,849,612 |
| Borrowings on line of credit | 435,000 | 752,042 |
| Payments on lines of credit | (435,000) | (752,042) |
| Principal payments on notes payable | <u>(2,907,537)</u> | |
| Net cash provided by financing activities | <u>11,346,946</u> | <u>3,849,612</u> |
| Net increase in cash | 4,614,469 | 1,320 |
| Cash and cash equivalents, beginning of year | <u>1,320</u> | |
| Cash and cash equivalents, end of year | <u>\$ 4,615,789</u> | <u>\$ 1,320</u> |
| NON-CASH INVESTING ACTIVITIES: | | |
| Property and equipment financed through accounts payable | <u>\$ 1,422,036</u> | |
| CASH PAID FOR INTEREST (net of capitalized amount) | <u>\$ 290,260</u> | <u>\$ 21,384</u> |

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