

ROCKETSHIP EDUCATION AND ITS AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2011

with comparative totals for June 30, 2010

| | <u>Rocketship Schools</u> | <u>Launchpad</u> | <u>Eliminations</u> | <u>2011 Total</u> | <u>2010 Total</u> |
|---|-------------------------------|----------------------|-----------------------|-----------------------|-----------------------|
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents (notes 1,2) | \$ 5,667,753 | \$ 3,701,362 | \$ - | \$ 9,369,115 | \$ 7,001,097 |
| Restricted cash (note 1) | | 909,959 | | 909,959 | 40,019 |
| Accounts receivable (note 3) | 4,294,077 | 579,825 | (719,595) | 4,154,307 | 1,732,866 |
| Grant receivable (note 4) | 1,083,000 | | | 1,083,000 | - |
| Prepaid expenses and deposits | 72,227 | 73,431 | | 145,658 | 218,858 |
| Total current assets | <u>11,117,057</u> | <u>5,264,577</u> | <u>(719,595)</u> | <u>15,662,039</u> | <u>8,992,840</u> |
| LONG-TERM ASSETS: | | | | | |
| Notes receivable (note 6) | 3,513,614 | | (3,513,614) | - | - |
| Security deposits | 825,000 | | (825,000) | - | - |
| Property, plant & equipment | 79,837 | 33,729,992 | | 33,809,829 | 18,079,748 |
| Less: Accumulated depreciation | (67,704) | (1,271,457) | | (1,339,161) | (731,992) |
| Total property, plant and equipment, net (note 5) | <u>12,133</u> | <u>32,458,535</u> | <u>-</u> | <u>32,470,668</u> | <u>17,347,756</u> |
| Total long-term assets | <u>4,350,747</u> | <u>32,458,535</u> | <u>(4,338,614)</u> | <u>32,470,668</u> | <u>17,347,756</u> |
| Total assets | <u>\$ 15,467,804</u> | <u>\$ 37,723,112</u> | <u>\$ (5,058,209)</u> | <u>\$ 48,132,707</u> | <u>\$ 26,340,596</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Accounts payable | \$ 468,228 | \$ 3,080,813 | \$ (688,242) | \$ 2,860,799 | \$ 1,575,945 |
| Accrued liabilities | 977,248 | | | 977,248 | 261,316 |
| Deferred revenues | 62,500 | | | 62,500 | - |
| Accrued interest | | 120,367 | (31,353) | 89,014 | 91,909 |
| Current portion of loans payable (note 6) | 110,000 | 146,660 | | 256,660 | 262,124 |
| Total current liabilities | <u>1,617,976</u> | <u>3,347,840</u> | <u>(719,595)</u> | <u>4,246,221</u> | <u>2,191,294</u> |
| LONG-TERM LIABILITIES: | | | | | |
| Security deposits | | 825,000 | (825,000) | - | - |
| Accrued interest | 190,407 | | | 190,407 | 126,494 |
| Convertible loans (note 6) | 1,800,000 | | | 1,800,000 | 2,450,000 |
| Loans payable (note 6) | 4,010,000 | 32,187,553 | (3,513,614) | 32,683,939 | 19,353,844 |
| Total long-term liabilities | <u>6,000,407</u> | <u>33,012,553</u> | <u>(4,338,614)</u> | <u>34,674,346</u> | <u>21,930,338</u> |
| NET ASSETS: | | | | | |
| Unrestricted | 6,266,421 | 1,362,719 | | 7,629,140 | 2,218,964 |
| Temporarily restricted (note 7) | 1,583,000 | | | 1,583,000 | - |
| Total net assets | <u>7,849,421</u> | <u>1,362,719</u> | <u>-</u> | <u>9,212,140</u> | <u>2,218,964</u> |
| Total liabilities and net assets | <u>\$ 15,467,804</u> | <u>\$ 37,723,112</u> | <u>\$ (5,058,209)</u> | <u>\$ 48,132,707</u> | <u>\$ 26,340,596</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, 2011
with comparative totals for the Year Ended June 30, 2010**

| | <u>Rocketship Schools</u> | <u>Launchpad</u> | <u>Eliminations</u> | <u>2011 Total</u> | <u>2010 Total</u> |
|---|-------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| UNRESTRICTED NET ASSETS: | | | | | |
| Revenues | | | | | |
| Apportionment revenue | \$ 3,808,147 | \$ - | \$ - | \$ 3,808,147 | \$ 1,307,654 |
| Categorical grant revenue | 1,286,595 | | | 1,286,595 | 802,227 |
| Property taxes | 2,757,142 | | | 2,757,142 | 2,905,691 |
| Other State revenue | 2,158,917 | | | 2,158,917 | 1,307,189 |
| Federal revenue | 1,846,344 | | | 1,846,344 | 1,438,772 |
| Other local revenue | 96,257 | 2,808,799 | (1,620,805) | 1,284,251 | 123,109 |
| Contributions | <u>5,510,925</u> | <u>367,401</u> | <u>(44,401)</u> | <u>5,833,925</u> | <u>1,047,856</u> |
| Total unrestricted revenues | <u>17,464,327</u> | <u>3,176,200</u> | <u>(1,665,206)</u> | <u>18,975,321</u> | <u>8,932,498</u> |
| Program Expenses | | | | | |
| Educational programs | <u>9,209,516</u> | | <u>(1,589,453)</u> | <u>7,620,063</u> | <u>4,719,700</u> |
| Supporting Services | | | | | |
| Site supports | 777,869 | 1,941,354 | | 2,719,223 | 1,419,008 |
| Program development and expansion | 735,481 | | | 735,481 | 655,990 |
| Administration and general | <u>1,996,948</u> | <u>569,183</u> | <u>(75,753)</u> | <u>2,490,378</u> | <u>932,421</u> |
| Total supporting services | <u>3,510,298</u> | <u>2,510,537</u> | <u>(75,753)</u> | <u>5,945,082</u> | <u>3,007,419</u> |
| Total expenses | <u>12,719,814</u> | <u>2,510,537</u> | <u>(1,665,206)</u> | <u>13,565,145</u> | <u>7,727,119</u> |
| Increase in unrestricted net assets | <u>4,744,513</u> | <u>665,663</u> | <u>-</u> | <u>5,410,176</u> | <u>1,205,379</u> |
| TEMPORARILY RESTRICTED NET ASSETS: | | | | | |
| Contributions | <u>1,583,000</u> | <u>-</u> | <u>-</u> | <u>1,583,000</u> | <u>-</u> |
| Increase in temporarily restricted net assets | <u>1,583,000</u> | <u>-</u> | <u>-</u> | <u>1,583,000</u> | <u>-</u> |
| Beginning net assets | <u>1,521,908</u> | <u>697,056</u> | <u>-</u> | <u>2,218,964</u> | <u>1,013,585</u> |
| Ending net assets | <u>\$ 7,849,421</u> | <u>\$ 1,362,719</u> | <u>\$ -</u> | <u>\$ 9,212,140</u> | <u>\$ 2,218,964</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, 2011
with comparative totals for the Year Ended June 30, 2010

| | Rocketship Schools | Launchpad | Eliminations | 2011 Total | 2010 Total |
|--|-------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| CASH FLOWS from OPERATING ACTIVITIES: | | | | | |
| Change in Net Assets | \$ 6,327,513 | \$ 665,663 | \$ - | \$ 6,993,176 | \$ 1,205,379 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | | |
| Depreciation | 3,995 | 603,175 | | 607,170 | 430,901 |
| Debt forgiven through grant agreement | (650,000) | | | (650,000) | (650,000) |
| (Increase) or decrease in operating assets: | | | | | |
| Accounts receivable | (2,568,711) | (572,324) | | (3,141,035) | (1,043,434) |
| Grants receivable | (1,083,000) | | | (1,083,000) | - |
| Prepaid expenses and other current assets | (567,405) | 65,605 | 575,000 | 73,200 | (90,926) |
| Increase or (decrease) in operating liabilities: | | | | | |
| Accounts payable and accrued liabilities | 1,034,024 | 305,004 | | 1,339,028 | 339,095 |
| Deferred revenues | 62,500 | | | 62,500 | - |
| Net cash provided by operating activities | <u>2,558,916</u> | <u>1,067,123</u> | <u>575,000</u> | <u>4,201,039</u> | <u>191,015</u> |
| CASH FLOWS from INVESTING ACTIVITIES: | | | | | |
| Issuance of note receivable | (3,513,614) | | 3,513,614 | - | - |
| Net sales of investments | | | | - | 1,000,123 |
| Purchases of property, plant and equipment | | (14,287,712) | | (14,287,712) | (6,685,221) |
| Net cash used by investing activities | <u>(3,513,614)</u> | <u>(14,287,712)</u> | <u>3,513,614</u> | <u>(14,287,712)</u> | <u>(5,685,098)</u> |
| CASH FLOWS from FINANCING ACTIVITIES: | | | | | |
| Change in restricted cash | | (869,940) | | (869,940) | (40,019) |
| Receipt of long-term security deposits | | 575,000 | (575,000) | - | - |
| Repayment of debt | (138,333) | (98,095) | | (236,428) | (366,667) |
| Proceeds from debt | 3,500,000 | 13,574,673 | (3,513,614) | 13,561,059 | 8,286,077 |
| Net cash provided by financing activities | <u>3,361,667</u> | <u>13,181,638</u> | <u>(4,088,614)</u> | <u>12,454,691</u> | <u>7,879,391</u> |
| Net increase (decrease) in cash and cash equivalents | 2,406,969 | (38,951) | - | 2,368,018 | 2,385,308 |
| Cash and cash equivalents at the beginning of the year | 3,260,784 | 3,740,313 | - | 7,001,097 | 4,615,789 |
| Cash and cash equivalents at the end 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 PAID FOR INTEREST (Net of capitalized amount) | <u>\$ 9,698</u> | <u>\$ 1,135,774</u> | <u>\$ -</u> | <u>\$ 1,145,472</u> | <u>\$ 595,603</u> |
| CAPITALIZED INTEREST | <u>\$ -</u> | <u>\$ 152,186</u> | <u>\$ -</u> | <u>\$ 152,186</u> | <u>\$ 24,426</u> |

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