

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**Operating:**

**Rocketship Mateo Sheedy Elementary  
Rocketship Si Se Puede Academy  
Rocketship Los Suenos Academy  
Rocketship Mosaic Elementary School  
Rocketship Discovery Prep  
Rocketship Brilliant Minds  
Rocketship Alma Academy**

**Consolidated Audited Financial Statements  
for the Year Ended  
June 30, 2013**

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Rocketship Education and its Affiliates  
San Jose, CA

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Rocketship Education and its Affiliates (RSEA), a non-profit California public benefit corporation, which comprise the statement of financial position as of June 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RSEA as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
Rocketship Education and its Affiliates

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules on pages 28-48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 49 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Report on Summarized Comparative Information**

We have previously audited RSEA's 2012 financial statements, and our report dated November 16, 2012, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2013 on our consideration of RSEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RSEA's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
November 14, 2013

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**June 30, 2013**

**with comparative totals for June 30, 2012**

	<b>Rocketship Education</b>	<b>Launchpad Development Company</b>	<b>Eliminations</b>	<b>2013 Total</b>	<b>2012 Total</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
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>
<b>LONG-TERM ASSETS:</b>					
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>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
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>
<b>LONG-TERM LIABILITIES:</b>					
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>
<b>NET ASSETS:</b>					
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**

	<b>Rocketship Education</b>	<b>Launchpad Development Company</b>	<b>Eliminations</b>	<b>2013 Total</b>	<b>2012 Total</b>
<b>UNRESTRICTED NET ASSETS:</b>					
<b>Revenues</b>					
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>
<b>Program Expenses</b>					
Educational programs	<u>27,291,888</u>	<u>-</u>	<u>(5,011,029)</u>	<u>22,280,859</u>	<u>13,130,262</u>
<b>Supporting Services</b>					
Site supports and program development	6,113,135	5,175,269	(513,077)	10,775,327	6,821,115
Administration and general	3,833,939	123,120	(38,314)	3,918,745	3,472,008
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>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>					
Amounts released from restriction	(1,422,347)			(1,422,347)	(1,583,000)
Contributions	2,247,235			2,247,235	1,569,833
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**

	<b>Rocketship Education</b>	<b>Launchpad Development Company</b>	<b>Eliminations</b>	<b>2013 Total</b>	<b>2012 Total</b>
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>					
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>
<b>CASH FLOWS from INVESTING ACTIVITIES:</b>					
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>
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>					
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>
<b>CASH PAID FOR INTEREST (Net)</b>	<u>\$ 34,087</u>	<u>\$ 3,032,458</u>	<u>\$ -</u>	<u>\$ 3,066,545</u>	<u>\$ 2,300,580</u>
<b>CAPITALIZED INTEREST</b>	<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.



**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

*Nature of Activities* – Rocketship Education and its Affiliates (RSEA) are organized to manage, operate, guide, direct, and promote a network of outstanding inner-city college preparatory elementary charter schools.

*Principles of Consolidation* – The accompanying financial statements include the accounts of Rocketship Education (RSED) and its schools. All significant intercompany accounts and transactions within RSED and its schools have been eliminated in the consolidating financial statements. Additionally, the accompanying financial statements include the accounts of Launchpad and its wholly-owned LLCs. All significant intercompany accounts and transactions within Launchpad have been eliminated in the consolidating financial statements. Finally, all significant intercompany accounts and transactions between RSED and Launchpad have been eliminated in consolidation.

Listed below are the affiliated organizations included in these financial statements:

**Rocketship Education (RSED)**

Rocketship Education (RSED) is a California nonprofit public benefit corporation that was incorporated in 2006 and is organized to manage, operate, guide, direct, and promote a network of outstanding inner-city college preparatory elementary charter schools. It operates Rocketship National (RSN), Rocketship Mateo Sheedy (RMS) and Rocketship Spark Academy (RSK) as divisions of its organization. RSED is governed by a Board of Directors consisting of thirteen members.

***Rocketship National (RSN)***

Rocketship National (RSN) operates as a division of RSED and provides management services and back office support to the RSED charter school network.

***Rocketship Mateo Sheedy Elementary (RMS)***

RSED's first school, Rocketship Mateo Sheedy Elementary (RMS), charter number 0850, which opened August 2007, operates as a division of RSED. RMS is funded principally through State of California public education monies received through the California Department of Education and the Santa Clara County Office of Education (SCCOE), the Sponsoring Agency. The SCCOE Board of Education (SCCBE) approved the Charter for RMS for a 3-year term through the 2009/10 school year. The charter was renewed for 5 years and will expire on June 30, 2015. The charter may be revoked by SCCBE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

***Rocketship Si Se Puede Academy (RSSP)***

RSED incorporated Rocketship Two Elementary School as a nonprofit public benefit corporation in April 2008 to hold the charter for its second school, Rocketship Si Se Puede Academy (RSSP). RSSP, charter number 1061, opened in August 2009 to support Rocketship's mission and is funded principally through State of California public education monies received through the California Department of Education and SCCOE, the Sponsoring Agency. SCCBE approved the Charter for RSSP for a 5-year term through the 2016/17 school year. The charter may be revoked by SCCOE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

***Rocketship Los Suenos Academy (RLS)***

RSED incorporated Rocketship Three Elementary School as a nonprofit public benefit corporation in February 2009 to hold the charter for its third school, Rocketship Los Suenos Academy (RLS). RLS, charter number 1127, opened in August 2010 to support Rocketship's mission and is funded principally through State of California public education monies received through the California Department of Education and SCCOE, the Sponsoring Agency. SCCBE approved the Charter for RLS for a 5-year term through the 2014/15 school year. The charter may be revoked by SCCOE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

***Rocketship Mosaic Elementary School (ROMO)***

RSED incorporated Rocketship Four Elementary School as a nonprofit public benefit corporation in June 2009 to hold the charter for its fourth school, Rocketship Mosaic Elementary (ROMO). ROMO, charter number 1192, opened in August 2011 to support Rocketship's mission and is funded principally through State of California public education monies received through the California Department of Education and SCCOE. Franklin McKinley School District (FMSD) approved the Charter for ROMO for a 5-year term through the 2015/16 school year. The charter may be revoked by FMSD for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

***Rocketship Discovery Prep (RDP)***

RSED incorporated Rocketship Five Elementary School as a nonprofit public benefit corporation in February 2010 to hold the charter for its fifth school, Rocketship Discovery Prep (RDP). RDP, charter number 1193, opened in August 2011 to support Rocketship's mission and is funded principally through State of California public education monies received through the California Department of Education and SCCOE, the Sponsoring Agency. SCCBE approved the Charter for RDP for a 5-year term through the 2015/16 school year. The charter may be revoked by SCCOE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

***Rocketship Brilliant Minds (RBM)***

RSED incorporated Rocketship Six Elementary School as a nonprofit public benefit corporation in February 2010 to hold the charter for its sixth school, Rocketship Brilliant Minds (RBM). RBM, charter number 1393, opened in August 2012 to support Rocketship's mission and is funded principally through State of California public education monies received through the California Department of education and SCCOE, the Sponsoring Agency. SCCBE approved the charter for RBM for a 5-year term through the 2015/16 school year. The charter may be revoked by SCCOE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

***Rocketship Alma Academy (RSA)***

RSED incorporated Rocketship Seven Elementary School as a nonprofit public benefit corporation in February 2010 to hold the charter for its seventh school, Rocketship Alma Academy (RSA). RSA, charter number 1394, opened in August 2012 to support Rocketship's mission and is funded principally through State of California public education monies received through the California Department of education and SCCOE, the Sponsoring Agency. SCCBE approved the charter for RSA for a 5-year term through the 2015/16 school year. The charter may be revoked by SCCOE for material violations of the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

***Rocketship Spark Academy (RSK)***

RSED's eighth school, Rocketship Spark Academy (RSK), operates as a division of RSED. Franklin McKinley School District (FMSD) approved a separate charter for RSK in 2010, charter number 1526. The school is scheduled to start operations in August 2013.

**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

***Rocketship Eight Elementary (RS8)***

RSED incorporated Rocketship Eight Elementary School (RS8) as a nonprofit public benefit corporation in May 2011 to hold the charter for its eighth school. As of June 30, 2013, RS8 does not hold a charter, and activities have been limited to pre-development for a school intended to start operations in August 2014.

***Rocketship Education Wisconsin Inc.  
& Rocketship Southside Community Prep (RSCP)***

RSED incorporated Rocketship Education Wisconsin Inc., as a nonprofit public benefit corporation in October 2012 to hold the charter for its first elementary school in Wisconsin, Rocketship Southside Community Prep (RSCP). The City of Milwaukee Common Council approved a separate charter for RSCP in November 2011. The school is scheduled to start operations in August 2013.

**Launchpad Development Company**

Launchpad Development Company (LDC) was incorporated as a 509(a)(3) not-for-profit public benefit corporation in November 2009. LDC was incorporated with the intention of becoming the leading provider of affordable facilities for the burgeoning charter school industry.

***Launchpad (LP)***

Launchpad operates as a division of Launchpad Development Company and provides investment management, asset management, and administrative services for the organization and its wholly owned LLCs.

***Launchpad Development One LLC (LLC1)***

Launchpad Development One LLC was organized to construct, hold, and manage the facility used in the school operations of RMS.

***Launchpad Development Two LLC (LLC2)***

Launchpad Development Two LLC was organized to construct, hold, and manage the facility used in the school operations of RSSP.

**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

***Launchpad Development Three, LLC (LLC3)***

Launchpad Development Three LLC was organized to construct, hold, and manage the facility used in the school operations of RLS.

***Launchpad Development Four LLC (LLC4)***

Launchpad Development Four LLC (LLC4) was organized to construct, hold, and manage the facility used in the school operations of ROMO.

***Launchpad Development Five LLC (LLC5)***

Launchpad Development Five LLC (LLC5) was organized to construct, hold, and manage the facility used in the school operations of RDP.

***Launchpad Development Six LLC (LLC6)***

Launchpad Development Six LLC (LLC6) was organized to construct, hold, and manage the facility used in the school operations of RBM, however, the site originally acquired to develop RBM was not utilized and the school was opened elsewhere. At present Launchpad is considering divestiture.

***Launchpad Development Seven LLC (LLC7)***

Launchpad Development Seven LLC (LLC7) was organized to construct, hold, and manage the facility used in the school operations of RSA, however, the site originally acquired for RSA was not utilized and the school was opened elsewhere. At present Launchpad is considering divestiture.

***Launchpad Development Eight LLC (LLC8)***

Launchpad Development Eight LLC (LLC8) was organized to construct, hold, and manage the facility used in the school operations of RSA.

***Launchpad Development Nine LLC (LLC9)***

Launchpad Development Nine LLC (LLC9) was organized to construct, hold, and manage the facility used in the school operations of a future school, scheduled to open in the 2014/15 school year.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

***Launchpad Development Ten LLC (LLC10)***

Launchpad Development Ten LLC (LLC10) was organized to construct, hold, and manage the facility used in the school operations of RSK. During the 2012/13 school year, LLC10 sold its investment in the project to a subsidiary of the Canyon-Agassi Charter Schools Facilities Fund.

***Launchpad Development Eleven LLC (LLC11)***

Launchpad Development Eleven LLC (LLC11) was organized to construct, hold, and manage the expanded facility used in the school operations of RBM, scheduled to open the new facility in the 2014/15 school year.

***Launchpad Development Twelve LLC (LLC12)***

Launchpad Development Twelve LLC (LLC12) was organized to construct, hold, and manage the facility used in the school operations of a future school, scheduled to open in the 2014/15 school year.

***Launchpad Development Thirteen LLC (LLC13)***

Launchpad Development Thirteen LLC (LLC13) was organized to construct, hold, and manage the facility used in the school operations of a future school, scheduled to open in the 2014/15 school year.

***Launchpad Development Milwaukee One LLC (MLLC1)***

Launchpad Development Milwaukee One LLC (MLLC1) was organized in March 2012 to be the master tenant of the lease with a subsidiary of the Canyon-Agassi Charter Schools Facility Fund for the facility used in the school operations of Rocketship Southside Community Prep.

***Basis of Presentation*** – RSEA presents its financial statements as a California non-profit public benefit corporation in accordance with Financial Accounting Standards which govern generally accepted accounting principles for non-profit organizations.

***Net Asset Classes*** – RSEA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

*Net Asset Classes (continued)*

Net assets of RSEA consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the organization.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by RSEA. RSEA does not currently have any permanently restricted net assets.

*Cash and Cash Equivalents* – RSEA defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

*Restricted Cash* – Restricted cash includes certain cash balances that are maintained according to debt reserve requirements and donor restrictions.

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure. Accordingly, actual results could differ from those estimates.

*Basis of Accounting* – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables, payables and other liabilities.

*Functional Allocation of Expenses* – The cost of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

*Contributions* – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for specific use in future periods are reported as temporarily restricted. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets for expenditure.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

*Property, Plant and Equipment* – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the assets ranging from three to thirty-five years. RSEA capitalizes all expenditures for land, buildings and equipment in excess of \$5,000.

*Income Taxes* – RSEA is comprised of various non-profit entities exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes related to these entities. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. RSEA files all appropriate tax returns in the U.S. federal jurisdiction, and the state of California.

RSEA files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

*Evaluation of Subsequent Events* – RSEA has evaluated subsequent events through November 14, 2013, the date these financial statements were available to be issued. Subsequent events requiring recognition or disclosure are discussed in Note 13.

*Comparative Totals* – The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with RSEA's financial statements for the year ended June 30, 2012, from which the summarized information was derived. Certain reclassifications have been made to the 2012 financial information to conform to the 2013 presentation.

**NOTE 2 - CONCENTRATION OF CREDIT RISK:**

RSEA maintains bank accounts with several institutions. Accounts at each of these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. RSEA occasionally has the need to maintain a cash balance in excess of the FDIC limit. RSEA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.



**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 3 - ACCOUNTS RECEIVABLE:**

Accounts receivable primarily consist of funds due from various governmental units. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded. As of June 30, 2013, all amounts are considered collectible within one year.

**NOTE 4 - GRANTS RECEIVABLE:**

Grants receivable consist of funds due from grantor agencies based upon RSN meeting various conditions or milestones. As of June 30, 2013 grant amounts connected with met milestones have been recorded as grants receivable and have been classified as temporarily restricted contributions due to implied time restriction. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded.

**NOTE 5 - PROPERTY, PLANT AND EQUIPMENT:**

Property and equipment consisted of the following:

	<u>RSED</u>	<u>LDC</u>	<u>RSEA Total</u>
Land	\$ -	\$ 8,896,265	\$ 8,896,265
Furniture and equipment	86,038	409,869	495,907
Loan Fee	114,309	1,282,915	1,397,224
Building	597,046	36,394,277	36,991,323
Construction in Progress	455,948	1,457,387	1,913,335
Less: Accumulated depreciation	<u>(191,344)</u>	<u>(3,681,242)</u>	<u>(3,872,586)</u>
Total	<u>\$ 1,061,997</u>	<u>\$ 44,759,471</u>	<u>\$ 45,821,468</u>

Depreciation and amortization expense was \$1,473,483 for the year ended June 30, 2013.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 6 - DEBT:**

**Convertible Debt**

**RSN – Charter School Growth Fund**

In February 2009, RSN entered into a \$2.3 million Subordinate Loan Agreement with Charter School Growth Fund (CSGF) at an effective interest rate of 4.0 percent. Of this amount, \$2.0 million plus associated interest will be forgiven and converted into a grant provided that RSN meet specified educational, financial and growth outcomes.

In October 2010, RSN and CSGF amended and restated the original Subordinate Loan Agreement to reflect a total loan of \$3.4 million at an effective interest rate of 3.25 percent and \$400,000 forgiven and converted into a grant. As of June 30, 2013, RSN has borrowed \$2.9 million of the \$3.4 million total available. Of the amended amount, \$2.35 million plus associated interest will be forgiven and converted into a grant provided that RSN meet specified educational, financial and growth outcomes.

In the event that these annual benchmarks are not met, the balance of the unconverted \$2.35 million loan is to be repaid with all accrued and unpaid interest on June 30, 2018.

As of June 30, 2013, RSN had substantively met the school year benchmarks and converted \$2.2 million of principal into a grant. No amounts were converted based on June 30, 2013 results pending notification of debt forgiveness from CSGF.

Over the 2013/14 school year, \$550,000 of the remaining note payable is eligible to be forgiven and converted into a grant provided the RSN meet specified educational, financial and growth outcomes. The remaining \$550,000 of the loan plus accrued interest will be due on June 30, 2017 (\$300,000) and June 30, 2019 (\$250,000).

In December 2012, RSN and CSGF entered into a \$125,000 School Startup Subordinated Loan Agreement at an effective interest rate of 1.0 percent. The loan is scheduled to be repaid in full on June 30, 2019.

**RSN Convertible Loan – Walton Fund**

In July 2009, RSN entered into a \$1.5 million Subordinate Loan Agreement with Charter School Growth Fund at an effective interest rate of 4.0 percent. Of this amount, \$1.5 million plus associated interest will be forgiven and converted into a grant provided that RSN meet specified growth outcomes. In the event that these annual benchmarks are not met, all remaining principal and accrued, unpaid interest are due on October 1, 2015.

As of June 30, 2013, certain schools had substantively met the school year benchmarks and converted \$500,000 of principal into a grant, resulting in complete conversion of the \$1.5 million.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 6 - DEBT: (continued)**

**Loans Payable**

RSN – CSGF Revolving Facilities Loan

In March 2012, RSN entered into a \$1 million Subordinated Loan Agreement with Charter School Growth Fund (CSGF) to finance the RSA-LLC8 project (the LLC8 Construction Loan). This loan had an effective interest rate of 4 percent and a maturity date of October 2013.

In September 2012, LLC8 completed bond financing in the amount of \$9.46 million (the Series 2012 Bonds), proceeds from which were used to repay the Promissory Note due to RSN. Subsequently, RSN used the proceeds from the repayment of the Promissory Note to repay the outstanding principal and accrued interest balance on the CSGF Revolving Facilities Loan.

Rocketship's Schools - California Department of Education Revolving Loan Program

As of June 30, 2013, Rocketship's Schools have six unsecured revolving loans payable to the California Department of Education totaling \$987,500 with effective interest rates ranging from 0.38% to 3.43%. The repayment terms require annual principal payments that are deducted from apportionment revenue.

Rocketship's Schools - CSFA Revenue Anticipation Notes

In October 2012, Rocketship's Schools, excluding RMS, entered into a loan agreement with the California School Finance Authority (CSFA). The agreement allows for revenue anticipation notes to be issued by CSFA and purchased by Low Income Investment Fund (LIIF) and NCB Capital Impact (NCB). The combined maximum borrowing capacity under the notes is the lesser of \$6,037,881 or 90% of deferred apportionment payments from the State of California. Under this agreement, revenue anticipation notes totaling \$1,300,000 and \$4,737,878 were issued on October 29, 2012 and June 6, 2013, respectively. Interest is charged at a LIBOR based rate plus 450 basis points with a floor of 4.75%. The notes are repayable in installments on July 30, 2013 and August 31, 2013 along with accrued interest. Funds pledged for repayment are intercepted upon release and held in a designated trust account (classified as restricted cash on the Statement of Financial Position.) The notes and accrued interest are classified as current liabilities at June 30, 2013. Following payment, the notes terminated in September 2013.

**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 6 - DEBT: (continued)**

**LLC1 - CDFI Facilities Construction Loan**

As of June 30, 2013, LLC1 has two facilities construction loans payable with a Community Development Financial Institution (CDFI). Both of them were entered into during the 2007-2008 fiscal year and as of June 30, 2013 had principal balances of \$5,000,000 on the primary loan and \$593,163 on the subordinate loan with effective interest rates of 5.0 percent and 5.25 percent, respectively. The loan agreement with the CDFI allows RSED to borrow up to \$5,000,000 on the primary loan and \$700,000 on the subsidiary loan. Both loans are for seven years with the primary loan structured as interest-only over the term of the loan and the subsidiary loan structured as interest-only until October 1, 2008 at which point it amortizes over a 20 year period. RSED used the proceeds of these loans to construct permanent facilities for its San Jose campus for Rocketship Mateo Sheedy Elementary School. Both loans use the completed facilities as collateral. As of June 30, 2013, \$5,593,163 remains outstanding with CDFI.

This loan is subject to reporting requirements and covenants customary to this type of credit transaction. As required by the lender, RSED provided a Partial Guaranty of the debt obligation.

**LLC2 - CDFI Facilities Construction Loan**

As of June 30, 2013, LLC2 has a facilities construction loan payable with a CDFI totaling \$6.8 million. This loan is structured as interest-only for seven years with an effective interest rate of 5.5 percent. LLC2 used the proceeds of this loan to construct permanent facilities for the San Jose campus for Rocketship Si Se Puede Academy. The loan uses the completed facilities as collateral.

This loan is subject to reporting requirements and covenants customary to this type of credit transaction. As required by the lender, RSED provided a Partial Guaranty of the debt obligation.

**LLC3 - Self Help New Markets V LLC Loan**

As of June 30, 2013, LLC3 has a facilities loan payable with Self Help New Markets V LLC (SHNM) totaling \$6.48 million. This loan has an effective interest rate of 6.41 percent. The loan will use the completed facilities as collateral.

**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 6 - DEBT: (continued)**

LLC3 - Self Help New Markets V LLC Loan (continued)

Commencing on June 1, 2010 and thereafter on the first day of each month until and including September 1, 2010, LLC3 made payments of interest only. Commencing on October 1, 2010, and thereafter on the first day of each successive month, LLC3 has made and will make payments of principal and interest in monthly installments based upon an amortization schedule of 25 years, with a final payment of all unpaid principal and interest thereon due on April 19, 2017. As required by the Lender, RSED provided a Lease Guaranty to the Borrower in support of the financing with a projected expiration at the end of the 2012/13 school year. As required by the Lender, Charter School Growth Fund provided a credit enhancement pledge to the Lender for segregated cash collateral in the amount of \$1 million also with a projected expiration at the end of the 2012/13 school year. As of June 30, 2013, \$6,173,406 remains outstanding with SHNM.

This loan is subject to reporting requirements and financial covenants customary for this type of credit transaction.

LLC4 - ROMO Bonds Payable

In September 2011, Launchpad completed a bond financing in the amount of \$10.1 million (the Series 2011 Bonds), proceeds from which were used to refinance the outstanding principal and accrued interest balance under a Senior Note and Junior Note and to fund certain project expenses remaining for the ROMO construction project. Interest is paid semi-annually at a coupon rate of 8.5% to 8.75%.

The Series 2011 Bonds are divided into \$9.6 million Series 2011A Bonds and \$515,000 Series 2011B Bonds (taxable). The Series 2011A Bonds mature December 2041 and the Series 2011B Bonds mature December 2018. Both Series 2011A and Series 2011B are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment fund established in December 2018 and December 2013 respectively.

LLC5 - Low Income Investment Fund Sub-CDE VIII LLC Loan

In March 2011, LLC5 borrowed debt capital for the RDP project from LIIF Sub-CDE VIII, LLC (the LIIF LLC), a Delaware limited liability company formed by the Low Income Investment Fund (LIIF), a CDFI under the leverage loan model of the New Markets Tax Credits program under Section 45D of the Internal Revenue Code of 1986. US Bank CDC purchased the tax credits from the LIIF LLC, the proceeds of which were used in part to fund a "qualified equity investment".

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 6 - DEBT: (continued)**

LLC5 - Low Income Investment Fund Sub-CDE VIII LLC Loan (continued)

LIIF and other participating institutions provided the leverage debt capital. The LIIF LLC made three (3) loans to LLC5, the Borrower, in the aggregate original principal amount of \$9,975,000 (the "*QLICI Loan*"), which *QLICI Loan* is expected to constitute a "qualified low-income community investment" ("*QLICF*") being made to a "qualified active low-income community business" ("*QALICB*") under the NMTC Program, and which includes subordinated debt provided by Launchpad of \$560,000. The debt is required to have a term of not less than seven (7) years and was made on an interest-only payment basis. As required by the Lender, RSN provided a partial Lease Guaranty to the Borrower in support of the financing. This loan is subject to reporting requirements and covenants customary to this type of credit transaction.

LLC6 and LLC8 - LISC Recoverable Grant

In August 2011, Launchpad Development Company received a recoverable grant from Local Initiatives Support Corporation (LISC) in a draw-to amount of up to \$500,000 available between September 1, 2011 and September 1, 2013. The recoverable grant was provided to fund predevelopment costs for new facilities in San Jose. Launchpad drew on the grant in the amounts of \$105,540 and \$102,606 for LLC6 and LLC8, respectively.

As of June 30, 2013, the balance drawn by LLC6 is classified as a current liability to be repaid upon completion of divesture from the project. In September 2012, LLC8 completed bond financing (the Series 2012 Bonds), proceeds from which were used to repay the Recoverable Grant of \$102,606.

LLC6 LISC Loan

In December 2011, LLC6 entered into a loan agreement with Local Initiatives Support Corporation (LISC) totaling \$625,478. This loan has an effective interest rate of 6 percent. LLC6 used the proceeds of the loan to acquire real estate intended for a permanent facility for RBM. The loan was amended in September 2012 and April 2013, to reflect an extended due date. Starting May 1, 2013, the amended loan is payable in eleven installments based on a ten year amortization, with the balance due April 1, 2014. The loan uses the property financed as collateral. As of June 30, 2013, \$613,971 remains outstanding on the loan.

This loan is subject to reporting requirements and covenants customary to this type of credit transaction.

**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 6 - DEBT: (continued)**

LLC8 – RSN Promissory Note

In March 2012, RSN issued a Promissory Note in the original principal amount of \$1.971 million to LLC8. This loan had an effective interest rate of 4 percent and a maturity date of March 31, 2014. Interest was to accrue from the effective date of the loan and quarterly interest payments were to begin in September 2012.

In September 2012, LLC8 completed bond financing in the amount of \$9.46 million (the Series 2012 Bonds), proceeds from which were used to repay the outstanding principal and accrued interest balance under the Promissory Note.

LLC8 - B of A Construction Loan

In March 2012, LLC8 entered into a Construction Loan Agreement with Bank of America in the amount of \$6 million at an effective interest rate equal to the LIBOR daily floating interest rate plus 290 basis points. Beginning May 1, 2012, accrued interest for the previous month was applied to the loan. The loan's initial maturity date was October 1, 2013, with an option to extend to April 1, 2015 over a 25 year amortization schedule.

In September 2012, the entire loan was repaid through the Series 2012 Bond refinancing.

LLC8 – RSA Bonds Payable

In September 2012, Launchpad completed a bond financing in the amount of \$9.46 million (the Series 2012 Bonds), proceeds from which were used to refinance the outstanding principal and accrued interest balance of the RSN Promissory Note and the B of A Construction Loan and to fund certain project expenses remaining for the RSA construction project. Interest is paid semi-annually at a coupon rate of 6.25% to 8.5%.

The Series 2012 Bonds are divided into \$9.105 million Series 2012A Bonds and \$355,000 million Series 2012B Bonds (taxable). The Series 2012A Bonds mature June 2043 and the Series 2012B Bonds mature June 2016. Both Series 2012A and Series 2012B are subject to mandatory redemptions prior to their stated maturity by a Sinking Accounts Payment fund established in June 2017 and June 2014 respectively.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 6 - DEBT: (continued)**

Futures maturities of debt in summary:

<u>June 30,</u>	<u>RSED Total (1)</u>	<u>LDC Total (1)</u>	<u>RSEA Total</u>
2014	\$ 6,385,378	\$ 1,068,297	\$ 7,453,675
2015	257,500	5,913,331	6,170,831
2016	257,500	7,169,324	7,426,824
2017	425,000	6,010,128	6,435,128
2018	550,000	7,462,669	8,012,669
Thereafter	375,000	21,212,331	21,587,331
Discount	-	(8,292)	(8,292)
Total	<u>\$ 8,250,378</u>	<u>\$ 48,827,788</u>	<u>\$ 57,078,166</u>

(1) See supplementary schedule of long-term debt for maturity schedules by debt instrument and location.

**NOTE 7 - NET ASSET RESTRICTIONS:**

Temporarily restricted net assets of \$2,394,721 relate to grants that are specifically restricted to 2013/14 operations.

**NOTE 8 - OPERATING LEASES:**

In October 2012, RSN entered into a 5 year lease for office facilities payable at \$10,612 monthly. The lease includes a waiver of rent (\$10,611) contingent upon RSN's status as a nonprofit public benefit corporation. During the year ended June 30, 2013, contribution revenue from in-kind rent and lease expense both totaled \$84,888. The fair value of future in-kind rent included in the lease through October 2017 has been recorded as \$531,442 grants receivable and temporarily restricted contribution revenue.

Related to the site development of RMS's facility, LLC1 has a 20 year land lease payable at \$10,920 monthly. Lease expense recognized for the year ended June 30, 2013 was \$131,040.



**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 8 - OPERATING LEASES: (continued)**

Related to the site development of a future school facility, LLC12 has a 35 year land lease, payable at \$7,000 monthly during the current year. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. For the year ended June 30, 2013, total lease expense of \$189,472 has been accrued and lease payments totaled \$24,500.

Related to the site development of RSCP's facility, MLLC1 entered into a 10 year facility lease agreement with a subsidiary of the Canyon-Agassi Charter Schools Facility Fund. Monthly payments of \$40,000 begin July 2013.

In February 2013, RSK entered into a 29 year facility lease agreement with a subsidiary of the Canyon-Agassi Charter Schools Facility Fund. Monthly payments of \$62,896 begin September 2013.

The following is a schedule of future minimum lease payments required under the operating lease:

<u>June 30,</u>	<u>LLC1</u>	<u>LLC12</u>	<u>MLLC1</u>	<u>RSK</u>	<u>Total</u>
2014	\$ 131,040	\$ 89,000	\$ 440,000	\$ 628,960	\$ 1,289,000
2015	135,954	220,000	550,000	754,752	1,660,706
2016	137,592	240,000	522,314	754,752	1,654,658
2017	137,592	262,000	534,629	754,752	1,688,973
2018	142,749	278,400	546,658	754,752	1,722,559
Thereafter	<u>1,759,689</u>	<u>11,044,666</u>	<u>2,923,417</u>	<u>23,671,235</u>	<u>39,399,007</u>
Total	<u>\$ 2,444,616</u>	<u>\$ 12,134,066</u>	<u>\$ 5,517,018</u>	<u>\$ 27,319,203</u>	<u>\$ 47,414,903</u>

**NOTE 9 - SPONSORING AGREEMENT:**

Rocketship had a Memorandum of Understanding (MOU) with SCCOE from July 1, 2010 through June 30, 2013 which outlines the supervisory oversight provided by SCCOE. The fees to SCCOE for oversight in accordance with this agreement were \$93,581 for the year ended June 30, 2013.

Rocketship has a memorandum of Understanding (MOU) with FMSD from 2012 through 2015 which outlines the supervisory oversight provided by FMSD. The fees to FMSD for oversight in accordance with this agreement were \$37,159 for the year ended June 30, 2013.

**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 10 - EMPLOYEE RETIREMENT:**

**Certificated Employees**

Qualified certificated employees are covered under a multiemployer defined benefit pension plan maintained by agencies of the State of California. The certificated employees are members of the State Teachers' Retirement System (STRS).

The risks of participating in these multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law, and (c) if the School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. RSEA has no plans to withdraw from these multiemployer plans.

RSEA contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2012, total plan net assets are \$151 billion, the total actuarial present value of accumulated plan benefits is \$270 billion, contributions from all employers totaled \$2.1 billion, and the plan is 67% funded. RSEA did not contribute more than 5% of the total contributions to the plan. Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://www.calstrs.com).

Active plan members are required to contribute 8.0% of their salary and RSEA is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 10 - EMPLOYEE RETIREMENT: (continued)**

RSEA's contributions to STRS for each of the last three fiscal years are as follows:

<u>Year Ended June 30,</u>	STRS	
	<u>Required Contribution</u>	<u>Percent Contributed</u>
2011	\$217,858	100%
2012	\$414,135	100%
2013	\$647,408	100%

**NOTE 11 - RELATED PARTY TRANSACTIONS:**

**Facility Leases**

In June 2010, RMS entered into a 5-year facility lease with LLC1. The lease agreement was amended and restated July 2012. For the school year 2012/13, lease payments under this agreement totaled \$899,918.

In April 2009, RSSP entered into a 7-year facility lease agreement with LLC2. The lease agreement was amended and restated July 2012. For the school year 2012/13, lease payments under this agreement totaled \$919,440.

In April 2010, RLS entered into a 10-year lease with LLC3. The lease agreement was amended July 2012. For the school year 2012/13, lease payments under this agreement totaled \$922,865.

In May 2011, ROMO entered into a 15-year lease with LLC4. The lease was amended in September 2011 and July 2012. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. Total lease expense of \$1,010,741 has been accrued. For school year 2012/13, lease payments under this agreement totaled \$767,136.

In March 2011, RDP entered into a 20 year lease with LLC5. The lease agreement was amended July 2012 to reflect a modified schedule of lease payments. Due to an uneven payment schedule prior to July 2012, lease expense was accrued on a straight line basis over the life of the lease. Following the amendment July 2012, the prior year accrued balance of \$223,660 was written down, resulting in a decrease of current lease expense. Total lease expense of \$661,742 has been recorded, inclusive of current year lease payments totaling \$885,402 and the \$223,660 credit from prior year. Related to the lease, LDC has placed \$325,000 into a fully pledged reserve account for the benefit of the lender.

**ROCKETSHIP EDUCATION  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 11 - RELATED PARTY TRANSACTIONS: (continued)**

In March 2012, RSA entered into a 15 year lease with LLC8. The lease agreement was amended July 2012. Due to an uneven payment schedule, lease expense is accrued on a straight line basis over the life of the lease. Total lease expense of \$596,325 has been accrued. For school year 2012/13, lease payments under this agreement totaled \$516,624.

Future estimated payments under these leases as of June 30, 2013 are as follows:

<u>June 30,</u>	<u>RMS</u>	<u>RSSP</u>	<u>RLS</u>	<u>ROMO</u>	<u>RDP</u>	<u>RSA</u>	<u>Total</u>
2014	\$ 869,143	\$ 912,894	\$ 913,223	\$ 944,844	\$ 881,870	\$ 631,453	\$ 5,153,427
2015	869,143	912,894	913,223	944,688	881,870	741,826	5,263,644
2016	869,143	912,894	913,223	943,875	881,870	729,529	5,250,534
2017	869,143	912,894	913,223	942,406	881,870	730,624	5,250,160
2018	869,143	912,894	913,223	945,281	881,870	724,520	5,246,931
Thereafter	<u>2,607,429</u>	<u>8,368,195</u>	<u>1,826,446</u>	<u>7,734,742</u>	<u>11,905,244</u>	<u>6,770,584</u>	<u>39,212,640</u>
Total	<u>\$ 6,953,144</u>	<u>\$ 12,932,665</u>	<u>\$ 6,392,561</u>	<u>\$ 12,455,836</u>	<u>\$ 16,314,594</u>	<u>\$ 10,328,536</u>	<u>\$ 65,377,336</u>

**Development Fees**

In connection with a construction development project at LLC8, Launchpad has contracted to receive development fees which are accrued based on project-specific milestones.

For the 2012/13 school year, \$82,707 of development fees were collected.

**Launchpad – Working Capital Line of Credit from RSN**

In October 2010, Launchpad entered into a revolving line of credit agreement (LP LOC) with RSN in the amount of \$682,000 to support working capital needs associated with the startup phase of each school development project. The applicable annual interest rate is 4.0 percent on outstanding balances under this facility. As of June 30, 2013, there is no outstanding balance under this agreement. During 2012/13, RSN charged LP at total of \$17,367 in interest on the LP LOC. The LP LOC is subject to reporting requirements and covenants customary to this type of credit facility.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 11 - RELATED PARTY TRANSACTIONS: (continued)**

**Management Contracts**

RMS, RSSP, RLS, ROMO, RDP, RBM, RSA, RS8 and RSK have all contracted to receive management and support services from RSN for which they pay management fees.

For the 2012/13 school year, management fees were as follows:

	<u>Management Fees</u>
RMS	\$ 674,938
RSSP	689,580
RLS	692,149
ROMO	669,679
RDP	664,052
RBM	109,945
RSA	427,933
RSK	<u>(118,750)</u>
Total	<u>\$ 3,809,526</u>

**Donated Services**

RSN provided certain organizational support services, including accounting, finance, and human resources, as well as shared office space to Launchpad (Donated Services) during the 2012/13 school year. For the 2012/13 school year, the amount of Donated Services from RSN to Launchpad was \$25,000.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES:**

RSEA has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, management believes all compliance requirements have been met.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 13 - SUBSEQUENT EVENTS:**

**Consolidation Approved**

On November 6, 2012 the Rocketship Education Board of Directors approved consolidation of the RSSP, RLS, ROMO, RDP, RBM, RSA, and RS8 entities. Final consolidation became effective September 1, 2013. All the entities' charters and obligations were transferred to Rocketship Education. Legal entities formed to hold the charters for RSSP, RLS, ROMO, RDP, RSA and RS8 were dissolved. Rocketship Six Elementary School continues to exist, without involvement with the RBM charter, for the purpose of holding future charters as deemed necessary.

**SUPPLEMENTARY INFORMATION**

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**HISTORY AND ORGANIZATION  
For the Year Ended June 30, 2013**

Rocketship Education (RSED) is a California non-profit public benefit corporation that was incorporated in 2006 and is organized to manage, operate, guide, direct, and promote a network of outstanding inner-city college preparatory elementary charter schools.

Rocketship Mateo Sheedy Elementary (RMS)	Charter Number: 0850 – Active
Rocketship Si Se Puede Academy (RSSP)	Charter Number: 1061 – Active
Rocketship Los Suenos Academy (RLS)	Charter Number: 1127 – Active
Rocketship Mosaic Elementary School (ROMO)	Charter Number: 1192 – Active
Rocketship Discovery Prep (RDP)	Charter Number: 1193 – Active
Rocketship Brilliant Minds (RBM)	Charter Number: 1393 – Active
Rocketship Alma Academy (RSA)	Charter Number: 1394 – Active
Rocketship Spark Academy (RSK)	Charter Number: 1526 – Begins 2013/14
Rocketship Eight Elementary (RS8)	Charter Number: 1404 – Begins 2014/15
Rocketship Southside Community Prep (RSCP)	Begins 2013/14

Board of Directors

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Marcus Cole	President	2014
Alan Crites	Treasurer	2014
Alex Hernandez	Secretary	2014
Alex Terman	Member	2014
Fred Ferrer	Member	2014
Kim Smith	Member	2014
Jennifer Niles	Member	2014
Louis Jordan	Member	2014
Tim Sheehy	Member	2014
Tim Ranzetta	Member	2015
Deborah McGriff	Member	2015
John Rosenberg	Member	2015
Eric Scroggins	Member	2015

Administration

Preston Smith	Co-Founder, CEO and President
Andrew Stern	Chief Business Officer
Kristoffer Haines	Senior Vice President of Growth and Development
Lynn Liao	Chief Programs Officer



**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - ROCKETSHIP SCHOOLS**

June 30, 2013

	<u>RSN</u>	<u>RMS</u>	<u>RSSP</u>	<u>RLS</u>	<u>ROMO</u>	<u>RDP</u>	<u>RBM</u>	<u>Total Page 1</u>
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 6,423,132	\$ 1,323,440	\$ 868,781	\$ 991,065	\$ 826,771	\$ 772,125	\$ 454,158	\$ 11,659,472
Restricted cash	1,384,073		169,748	167,132	225,377	72,742	26,195	2,045,267
Accounts receivable	2,203,846	828,974	1,509,290	1,659,028	1,183,818	1,824,396	503,157	9,712,509
Grants receivable	593,008							593,008
Intracompany receivable	253,414							253,414
Prepaid expenses and deposits	663,926	71,830	37,339	35,810	51,791	51,455	54,032	966,183
Total current assets	<u>11,521,399</u>	<u>2,224,244</u>	<u>2,585,158</u>	<u>2,853,035</u>	<u>2,287,757</u>	<u>2,720,718</u>	<u>1,037,542</u>	<u>25,229,853</u>
<b>LONG-TERM ASSETS:</b>								
Grants receivable	703,443							703,443
Security deposits	250,000			250,000	250,000	250,000		1,000,000
Prepaid expenses and deposits	64,034							64,034
Property, plant & equipment	211,947	185,615	283,024	181,099	126,723	115,131	96,693	1,200,232
Less: Accumulated depreciation	(14,950)	(66,251)	(32,833)	(26,505)	(18,422)	(29,060)	(2,541)	(190,562)
Total property, plant and equipment, net	<u>196,997</u>	<u>119,364</u>	<u>250,191</u>	<u>154,594</u>	<u>108,301</u>	<u>86,071</u>	<u>94,152</u>	<u>1,009,670</u>
Total long-term assets	<u>1,214,474</u>	<u>119,364</u>	<u>250,191</u>	<u>404,594</u>	<u>358,301</u>	<u>336,071</u>	<u>94,152</u>	<u>2,777,147</u>
Total assets	<u>\$ 12,735,873</u>	<u>\$ 2,343,608</u>	<u>\$ 2,835,349</u>	<u>\$ 3,257,629</u>	<u>\$ 2,646,058</u>	<u>\$ 3,056,789</u>	<u>\$ 1,131,694</u>	<u>\$ 28,007,000</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable	\$ 618,800	\$ 220,855	\$ 194,499	\$ 236,155	\$ 189,394	\$ 189,767	\$ 97,478	\$ 1,746,948
Accrued liabilities	397,037	307,705	394,316	408,915	315,771	607,697	108,061	2,539,502
Accrued interest			12,115	14,714	10,614	16,390	1,517	55,350
Deferred revenue	1,625,000			10,767				1,635,767
Intracompany payable								-
Current portion of loans payable			1,060,896	1,443,070	1,035,278	1,516,898	358,514	5,414,656
Total current liabilities	<u>2,640,837</u>	<u>528,560</u>	<u>1,661,826</u>	<u>2,113,621</u>	<u>1,551,057</u>	<u>2,330,752</u>	<u>565,570</u>	<u>11,392,223</u>
<b>LONG-TERM LIABILITIES:</b>								
Accrued interest	116,862							116,862
Deferred rent liability					531,207			531,207
Convertible loans	550,000							550,000
Loans payable	675,000			40,000	100,000	125,000	187,500	1,127,500
Total long-term liabilities	<u>1,341,862</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>631,207</u>	<u>125,000</u>	<u>187,500</u>	<u>2,325,569</u>
<b>NET ASSETS:</b>								
Unrestricted	6,358,453	1,815,048	1,173,523	1,104,008	463,794	601,037	378,624	11,894,487
Temporarily restricted	2,394,721							2,394,721
Total net assets	<u>8,753,174</u>	<u>1,815,048</u>	<u>1,173,523</u>	<u>1,104,008</u>	<u>463,794</u>	<u>601,037</u>	<u>378,624</u>	<u>14,289,208</u>
Total liabilities and net assets	<u>\$ 12,735,873</u>	<u>\$ 2,343,608</u>	<u>\$ 2,835,349</u>	<u>\$ 3,257,629</u>	<u>\$ 2,646,058</u>	<u>\$ 3,056,789</u>	<u>\$ 1,131,694</u>	<u>\$ 28,007,000</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - ROCKETSHIP SCHOOLS (Continued)**

June 30, 2013

	<u>From Page 1</u>	<u>RSA</u>	<u>RS8</u>	<u>RSK</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 11,659,472	\$ 610,900	\$ -	\$ 286,353	\$ -	\$ 12,556,725
Restricted cash	2,045,267	244,964				2,290,231
Accounts receivable	9,712,509	1,362,227		16,437	(1,241,880)	9,849,293
Grants receivable	593,008					593,008
Intracompany receivable	253,414				(253,414)	-
Prepaid expenses and deposits	966,183	37,247		78,933		1,082,363
Total current assets	<u>25,229,853</u>	<u>2,255,338</u>	<u>-</u>	<u>381,723</u>	<u>(1,495,294)</u>	<u>26,371,620</u>
<b>LONG-TERM ASSETS:</b>						
Grants receivable	703,443					703,443
Security deposits	1,000,000	100,000	250,000			1,350,000
Prepaid expenses and deposits	64,034					64,034
Property, plant & equipment	1,200,232	38,776		14,333		1,253,341
Less: Accumulated depreciation	(190,562)	(782)				(191,344)
Total property, plant and equipment, net	<u>1,009,670</u>	<u>37,994</u>	<u>-</u>	<u>14,333</u>	<u>-</u>	<u>1,061,997</u>
Total long-term assets	<u>2,777,147</u>	<u>137,994</u>	<u>250,000</u>	<u>14,333</u>	<u>-</u>	<u>3,179,474</u>
Total assets	<u>\$ 28,007,000</u>	<u>\$ 2,393,332</u>	<u>\$ 250,000</u>	<u>\$ 396,056</u>	<u>\$ (1,495,294)</u>	<u>\$ 29,551,094</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable	\$ 1,746,948	\$ 136,501	\$ -	\$ 57,103	\$ -	\$ 1,940,552
Accrued liabilities	2,539,502	256,512		2,963	(1,241,880)	1,557,097
Accrued interest	55,350	3,509				58,859
Deferred revenue	1,635,767					1,635,767
Intracompany payable	-		253,414		(253,414)	-
Current portion of loans payable	5,414,656	970,722				6,385,378
Total current liabilities	<u>11,392,223</u>	<u>1,367,244</u>	<u>253,414</u>	<u>60,066</u>	<u>(1,495,294)</u>	<u>11,577,653</u>
<b>LONG-TERM LIABILITIES:</b>						
Accrued interest	116,862					116,862
Deferred rent liability	531,207	79,701				610,908
Convertible loans	550,000					550,000
Loans payable	1,127,500	187,500				1,315,000
Total long-term liabilities	<u>2,325,569</u>	<u>267,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,592,770</u>
<b>NET ASSETS:</b>						
Unrestricted	11,894,487	758,887	(3,414)	335,990	-	12,985,950
Temporarily restricted	2,394,721					2,394,721
Total net assets	<u>14,289,208</u>	<u>758,887</u>	<u>(3,414)</u>	<u>335,990</u>	<u>-</u>	<u>15,380,671</u>
Total liabilities and net assets	<u>\$ 28,007,000</u>	<u>\$ 2,393,332</u>	<u>\$ 250,000</u>	<u>\$ 396,056</u>	<u>\$ (1,495,294)</u>	<u>\$ 29,551,094</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES - ROCKETSHIP SCHOOLS  
For the Year Ended June 30, 2013**

	<u>RSN</u>	<u>RMS</u>	<u>RSSP</u>	<u>RLS</u>	<u>ROMO</u>	<u>RDP</u>	<u>RBM</u>	<u>Total Page 1</u>
<b>UNRESTRICTED NET ASSETS:</b>								
<b>Revenues</b>								
Apportionment revenue	\$ -	\$ 145,869	\$ 2,059,966	\$ 3,115,338	\$ 1,859,219	\$ 3,043,643	\$ 873,730	\$ 11,097,765
Categorical grant revenue		529,920	567,567	575,763	516,108	497,290	180,686	2,867,334
Property taxes		2,809,372	1,175,603	20,057	1,256,026	56,059	14,061	5,331,178
Other State revenue	1,800,205	864,834	666,588	778,609	758,830	757,246	170,387	5,796,699
Federal revenue	567,099	551,090	522,289	629,128	404,957	427,461	205,032	3,307,056
Other local revenue	3,869,933	12,904	24,639	37,088	24,627	28,673	26,829	4,024,693
Contributions	4,756,836	107,275	135,476	124,789	158,217	156,935	413,460	5,852,988
Amounts released from restriction	1,412,347				10,000			1,422,347
Total unrestricted revenues	<u>12,406,420</u>	<u>5,021,264</u>	<u>5,152,128</u>	<u>5,280,772</u>	<u>4,987,984</u>	<u>4,967,307</u>	<u>1,884,185</u>	<u>39,700,060</u>
<b>Program Expenses</b>								
Educational programs	<u>1,965,322</u>	<u>3,988,240</u>	<u>4,544,586</u>	<u>4,150,012</u>	<u>4,291,174</u>	<u>3,891,237</u>	<u>1,442,286</u>	<u>24,272,857</u>
<b>Supporting Services</b>								
Site supports and program development	6,113,135							6,113,135
Administration and general	<u>3,715,189</u>	<u>674,938</u>	<u>689,580</u>	<u>692,149</u>	<u>669,679</u>	<u>664,052</u>	<u>109,945</u>	<u>7,215,532</u>
Total supporting services	<u>9,828,324</u>	<u>674,938</u>	<u>689,580</u>	<u>692,149</u>	<u>669,679</u>	<u>664,052</u>	<u>109,945</u>	<u>13,328,667</u>
Total expenses	<u>11,793,646</u>	<u>4,663,178</u>	<u>5,234,166</u>	<u>4,842,161</u>	<u>4,960,853</u>	<u>4,555,289</u>	<u>1,552,231</u>	<u>37,601,524</u>
Increase (decrease) in unrestricted net assets	612,774	358,086	(82,038)	438,611	27,131	412,018	331,954	2,098,536
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>								
Amounts released from restriction	(1,412,347)				(10,000)			(1,422,347)
Contributions	<u>2,247,235</u>							<u>2,247,235</u>
Increase (decrease) in temporarily restricted net assets	<u>834,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>824,888</u>
Beginning net assets	<u>7,305,512</u>	<u>1,456,962</u>	<u>1,255,561</u>	<u>665,397</u>	<u>446,663</u>	<u>189,019</u>	<u>46,670</u>	<u>11,365,784</u>
Ending net assets	<u>\$ 8,753,174</u>	<u>\$ 1,815,048</u>	<u>\$ 1,173,523</u>	<u>\$ 1,104,008</u>	<u>\$ 463,794</u>	<u>\$ 601,037</u>	<u>\$ 378,624</u>	<u>\$ 14,289,208</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES - ROCKETSHIP SCHOOLS (Continued)  
For the Year Ended June 30, 2013**

	<u>From Page 1</u>	<u>RSA</u>	<u>RS8</u>	<u>RSK</u>	<u>Eliminations</u>	<u>Total</u>
<b>UNRESTRICTED NET ASSETS:</b>						
<b>Revenues</b>						
Apportionment revenue	\$ 11,097,765	\$ 2,248,019	\$ -	\$ -	\$ -	\$ 13,345,784
Categorical grant revenue	2,867,334	457,455				3,324,789
Property taxes	5,331,178	90,987				5,422,165
Other State revenue	5,796,699	482,658				6,279,357
Federal revenue	3,307,056	471,471		16,437		3,794,964
Other local revenue	4,024,693	52,691			(3,809,526)	267,858
Contributions	5,852,988	408,893				6,261,881
Amounts released from restriction	1,422,347					1,422,347
Total unrestricted revenues	<u>39,700,060</u>	<u>4,212,174</u>	<u>-</u>	<u>16,437</u>	<u>(3,809,526)</u>	<u>40,119,145</u>
<b>Program Expenses</b>						
Educational programs	<u>24,272,857</u>	<u>3,079,909</u>	<u>2,425</u>	<u>(63,303)</u>	<u>-</u>	<u>27,291,888</u>
<b>Supporting Services</b>						
Site supports and program development	6,113,135					6,113,135
Administration and general	<u>7,215,532</u>	<u>427,933</u>	<u>-</u>		<u>(3,809,526)</u>	<u>3,833,939</u>
Total supporting services	<u>13,328,667</u>	<u>427,933</u>	<u>-</u>	<u>-</u>	<u>(3,809,526)</u>	<u>9,947,074</u>
Total expenses	<u>37,601,524</u>	<u>3,507,842</u>	<u>2,425</u>	<u>(63,303)</u>	<u>(3,809,526)</u>	<u>37,238,962</u>
Increase (decrease) in unrestricted net assets	2,098,536	704,332	(2,425)	79,740	-	2,880,183
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>						
Amounts released from restriction	(1,422,347)					(1,422,347)
Contributions	<u>2,247,235</u>					<u>2,247,235</u>
Increase (decrease) in temporarily restricted net assets	<u>824,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>824,888</u>
Beginning net assets	<u>11,365,784</u>	<u>54,555</u>	<u>(989)</u>	<u>256,250</u>	<u>-</u>	<u>11,675,600</u>
Ending net assets	<u>\$ 14,289,208</u>	<u>\$ 758,887</u>	<u>\$ (3,414)</u>	<u>\$ 335,990</u>	<u>\$ -</u>	<u>\$ 15,380,671</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES  
ROCKETSHIP SCHOOLS  
For the Year Ended June 30, 2013**

	<u>RSN</u>	<u>RMS</u>	<u>RSSP</u>	<u>RLS</u>	<u>ROMO</u>	<u>RDP</u>	<u>RBM</u>	<u>Total Page 1</u>
<b>EXPENSES BY STATE CATEGORIES:</b>								
1000 Certificated salaries	\$ 1,081,735	\$ 1,218,779	\$ 1,333,728	\$ 1,178,867	\$ 1,241,451	\$ 1,234,008	\$ 521,560	\$ 7,810,128
2000 Classified salaries	5,073,907	365,693	498,377	371,955	413,486	326,088	209,572	7,259,078
3000 Benefits	1,062,874	355,221	404,415	375,059	373,196	366,791	168,084	3,105,640
4000 Books and supplies	994,409	590,377	704,790	657,171	575,002	591,310	345,765	4,458,824
5000 Other operating expenses	3,017,597	2,130,472	2,254,644	2,216,060	2,327,750	1,975,168	303,192	14,224,883
6000 Capital expenses and depreciation	509,285	1,893	25,492	26,367	18,366	29,060	2,541	613,004
7000 Transfers and interest expenses	53,839	743	12,720	16,682	11,602	32,864	1,517	129,967
Total expenses	<u>\$11,793,646</u>	<u>\$ 4,663,178</u>	<u>\$ 5,234,166</u>	<u>\$ 4,842,161</u>	<u>\$ 4,960,853</u>	<u>\$ 4,555,289</u>	<u>\$ 1,552,231</u>	<u>\$37,601,524</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES  
ROCKETSHIP SCHOOLS  
For the Year Ended June 30, 2013**

	<b>Total From Page 1</b>	<b>RSA</b>	<b>RS8</b>	<b>RSK</b>	<b>TOTAL</b>
<b>EXPENSES BY STATE CATEGORIES:</b>					
1000 Certificated salaries	\$ 7,810,128	\$ 955,583	\$ -	\$ -	\$ 8,765,711
2000 Classified salaries	7,259,078	378,325		22,970	7,660,373
3000 Benefits	3,105,640	301,681		2,538	3,409,859
4000 Books and supplies	4,458,824	538,463		10,436	5,007,723
5000 Other operating expenses	14,224,883	1,327,493	2,425	(107,236)	15,447,565
6000 Capital expenses and depreciation	613,004	782			613,786
7000 Transfers and interest expenses	129,967	5,515		7,989	143,471
Total expenses	<u>\$ 37,601,524</u>	<u>\$ 3,507,842</u>	<u>\$ 2,425</u>	<u>\$ (63,303)</u>	<u>\$ 41,048,488</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS - ROCKETSHIP SCHOOLS  
For the Year Ended June 30, 2013**

	<u>RSN</u>	<u>RMS</u>	<u>RSSP</u>	<u>RLS</u>	<u>ROMO</u>	<u>RDP</u>	<u>RBM</u>	<u>Total Page 1</u>
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>								
Change in Net Assets	\$ 1,447,662	\$ 358,086	\$ (82,038)	\$ 438,611	\$ 17,131	\$ 412,018	\$ 331,954	\$ 2,923,424
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	14,950	1,894	25,492	26,367	18,365	29,060	2,541	118,669
Debt forgiven through grant agreement	(816,033)						(280,000)	(1,096,033)
(Increase) or decrease in operating assets:								
Accounts receivable	2,259,244	(50,656)	69,842	(104,241)	(22,131)	(376,749)	(439,634)	1,335,675
Grants receivable	(380,486)							(380,486)
Prepaid expenses and deposits	(760,767)	(62,525)	(15,675)	(24,828)	(21,124)	(25,971)	212,304	(698,586)
Increase or (decrease) in operating liabilities:								
Accounts payable and accrued liabilities	433,332	265,267	223,881	(76,924)	46,163	79,936	137,127	1,108,782
Deferred revenue	1,625,000			10,767				1,635,767
Deferred rent liability					153,859	(223,660)		(69,801)
Net cash provided (used) by operating activities	<u>3,822,902</u>	<u>512,066</u>	<u>221,502</u>	<u>269,752</u>	<u>192,263</u>	<u>(105,366)</u>	<u>(35,708)</u>	<u>4,877,411</u>
<b>CASH FLOWS from INVESTING ACTIVITIES:</b>								
Purchase of property plant and equipment	(211,947)	(118,264)	(270,538)	(152,065)	(121,637)	(115,131)	(96,693)	(1,086,275)
Net cash used by investing activities	<u>(211,947)</u>	<u>(118,264)</u>	<u>(270,538)</u>	<u>(152,065)</u>	<u>(121,637)</u>	<u>(115,131)</u>	<u>(96,693)</u>	<u>(1,086,275)</u>
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>								
Change in restricted cash	(1,384,073)		(169,748)	(167,132)	(225,377)	(72,742)	(26,195)	(2,045,267)
Intracompany loans	296,586					(400,000)		(103,414)
Change in line of credit				(400,000)	(300,000)	(300,000)		(1,000,000)
Proceeds from debt	375,000		1,020,896	1,373,070	985,278	1,704,398	546,014	6,004,656
Repayment of debt	(1,000,000)	(50,000)	(40,000)	(70,000)	(50,000)	(62,500)		(1,272,500)
Net cash provided (used) by financing activities	<u>(1,712,487)</u>	<u>(50,000)</u>	<u>811,148</u>	<u>735,938</u>	<u>409,901</u>	<u>869,156</u>	<u>519,819</u>	<u>1,583,475</u>
Net increase (decrease) in cash and cash equivalents	1,898,468	343,802	762,112	853,625	480,527	648,659	387,418	5,374,611
Cash and cash equivalents at the beginning of the year	4,524,664	979,638	106,669	137,440	346,244	123,466	66,740	6,284,861
Cash and cash equivalents at the end of the year	<u>\$ 6,423,132</u>	<u>\$ 1,323,440</u>	<u>\$ 868,781</u>	<u>\$ 991,065</u>	<u>\$ 826,771</u>	<u>\$ 772,125</u>	<u>\$ 454,158</u>	<u>\$ 11,659,472</u>
<b>CASH PAID FOR INTEREST (Net of capitalized amount)</b>	<u>\$ 19,498</u>	<u>\$ 1,354</u>	<u>\$ 1,024</u>	<u>\$ 941</u>	<u>\$ 1,871</u>	<u>\$ 6,580</u>	<u>\$ -</u>	<u>\$ 31,268</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS - ROCKETSHIP SCHOOLS (Continued)  
For the Year Ended June 30, 2013**

	<u>From Page 1</u>	<u>RSA</u>	<u>RS8</u>	<u>RSK</u>	<u>Total</u>
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>					
Change in Net Assets	\$ 2,923,424	\$ 704,332	\$ (2,425)	\$ 79,740	\$ 3,705,071
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	118,669	782			119,451
Debt forgiven through grant agreement	(1,096,033)	(280,000)			(1,376,033)
(Increase) or decrease in operating assets:					
Accounts receivable	1,335,675	(1,299,594)		(16,437)	19,644
Grants receivable	(380,486)				(380,486)
Prepaid expenses and deposits	(698,586)	117,753		71,067	(509,766)
Increase or (decrease) in operating liabilities:					
Accounts payable and accrued liabilities	1,108,782	334,955	(50,000)	60,066	1,453,803
Deferred revenue	1,635,767				1,635,767
Deferred rent liability	(69,801)	79,701			9,900
Net cash provided (used) by operating activities	<u>4,877,411</u>	<u>(342,071)</u>	<u>(52,425)</u>	<u>194,436</u>	<u>4,677,351</u>
<b>CASH FLOWS from INVESTING ACTIVITIES:</b>					
Purchase of property plant and equipment	(1,086,275)	(38,776)		(14,333)	(1,139,384)
Net cash provided (used) by investing activities	<u>(1,086,275)</u>	<u>(38,776)</u>	<u>-</u>	<u>(14,333)</u>	<u>(1,139,384)</u>
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>					
Change in restricted cash	(2,045,267)	(244,964)			(2,290,231)
Intracompany loans	(103,414)		(2,836)	106,250	-
Change in line of credit	(1,000,000)				(1,000,000)
Proceeds from debt	6,004,656	1,158,222			7,162,878
Repayment of debt	(1,272,500)				(1,272,500)
Net cash provided (used) by financing activities	<u>1,583,475</u>	<u>913,258</u>	<u>(2,836)</u>	<u>106,250</u>	<u>2,600,147</u>
Net increase (decrease) in cash and cash equivalents	5,374,611	532,411	(55,261)	286,353	6,138,114
Cash and cash equivalents at the beginning of the year	6,284,861	78,489	55,261	-	6,418,611
Cash and cash equivalents at the end of the year	<u>\$ 11,659,472</u>	<u>\$ 610,900</u>	<u>\$ -</u>	<u>\$ 286,353</u>	<u>\$ 12,556,725</u>
<b>CASH PAID FOR INTEREST (Net of capitalized amount)</b>	<u>\$ 31,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,819</u>	<u>\$ 34,087</u>

See the accompanying notes to supplementary information.



**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**SCHEDULE OF LONG-TERM DEBT - ROCKETSHIP SCHOOLS  
For the Year Ended June 30, 2013**

**Futures maturities of debt by instrument:**

<u>June 30,</u>	<u>CSGF</u>	<u>Convertible CSGF</u>	<u>CDE Loans</u>	<u>RAN Loans</u>	<u>Total</u>
2014	\$ -	\$ -	\$ 347,500	\$ 6,037,878	\$ 6,385,378
2015			257,500		257,500
2016			257,500		257,500
2017	300,000		125,000		425,000
2018		550,000			550,000
Thereafter	375,000				375,000
Total	<u>\$ 675,000</u>	<u>\$ 550,000</u>	<u>\$ 987,500</u>	<u>\$ 6,037,878</u>	<u>\$ 8,250,378</u>

**Futures maturities of debt by location:**

<u>June 30,</u>	<u>RSN</u>	<u>RSSP</u>	<u>RLS</u>	<u>ROMO</u>	<u>RDP</u>	<u>RBM</u>	<u>RSA</u>	<u>Total</u>
2014	\$ -	\$ 1,060,896	\$ 1,443,070	\$ 1,035,278	\$ 1,516,898	\$ 358,514	\$ 970,722	\$ 6,385,378
2015			20,000	50,000	62,500	62,500	62,500	257,500
2016			20,000	50,000	62,500	62,500	62,500	257,500
2017	300,000					62,500	62,500	425,000
2018	550,000				-			550,000
Thereafter	375,000							375,000
Total	<u>\$ 1,225,000</u>	<u>\$ 1,060,896</u>	<u>\$ 1,483,070</u>	<u>\$ 1,135,278</u>	<u>\$ 1,641,898</u>	<u>\$ 546,014</u>	<u>\$ 1,158,222</u>	<u>\$ 8,250,378</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - LAUNCHPAD  
June 30, 2013**

	<u>Launchpad</u>	<u>MLLC1</u>	<u>LCI</u>	<u>LLC1</u>	<u>LLC2</u>	<u>LLC3</u>	<u>LLC4</u>	<u>LLC5</u>	<u>LLC6</u>	<u>Total Page 1</u>
<b>ASSETS</b>										
<b>CURRENT ASSETS:</b>										
Cash and cash equivalents	\$ 375,844	\$ -	\$ -	\$ 293,951	\$ 176,301	\$ 149,870	\$ 323,061	\$ 115,180	\$ -	\$ 1,434,207
Restricted cash	326,576				298,850	155,714	942,915	289,934		2,013,989
Accounts receivable	225			54,454	75,720	37,989	13,897	221,846		404,131
Prepaid expenses and deposits	12,615			33,035	8,362	1,228	61,920	14,171		131,331
Total current assets	<u>715,260</u>	<u>-</u>	<u>-</u>	<u>381,440</u>	<u>559,233</u>	<u>344,801</u>	<u>1,341,793</u>	<u>641,131</u>	<u>-</u>	<u>3,983,658</u>
<b>LONG-TERM ASSETS:</b>										
Intracompany receivable	2,020,209									2,020,209
Note receivable	560,000									560,000
Deferred rent asset							531,207			531,207
Property, plant & equipment	27,750			6,033,928	6,996,597	7,100,593	8,254,824	9,431,240	738,248	38,583,180
Less: Accumulated depreciation	(13,104)			(1,450,597)	(572,389)	(535,181)	(442,153)	(421,533)		(3,434,957)
Total property, plant and equipment, net	<u>14,646</u>	<u>-</u>	<u>-</u>	<u>4,583,331</u>	<u>6,424,208</u>	<u>6,565,412</u>	<u>7,812,671</u>	<u>9,009,707</u>	<u>738,248</u>	<u>35,148,223</u>
Total long-term assets	<u>2,594,855</u>	<u>-</u>	<u>-</u>	<u>4,583,331</u>	<u>6,424,208</u>	<u>6,565,412</u>	<u>8,343,878</u>	<u>9,009,707</u>	<u>738,248</u>	<u>38,259,639</u>
Total assets	<u>\$ 3,310,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,964,771</u>	<u>\$ 6,983,441</u>	<u>\$ 6,910,213</u>	<u>\$ 9,685,671</u>	<u>\$ 9,650,838</u>	<u>\$ 738,248</u>	<u>\$ 42,243,297</u>
<b>LIABILITIES AND NET ASSETS</b>										
<b>CURRENT LIABILITIES:</b>										
Accounts payable and accrued liabilities	\$ 10,214	\$ -	\$ 1,876	\$ 1,175	\$ 1,309	\$ 1,161	\$ -	\$ 1,161	\$ 7,874	\$ 24,770
Accrued interest				23,428	31,167	32,976	71,756	50,171		209,498
Current portion of loans payable				26,084		127,702	85,000		719,511	958,297
Total current liabilities	<u>10,214</u>	<u>-</u>	<u>1,876</u>	<u>50,687</u>	<u>32,476</u>	<u>161,839</u>	<u>156,756</u>	<u>51,332</u>	<u>727,385</u>	<u>1,192,565</u>
<b>LONG-TERM LIABILITIES:</b>										
Intracompany payable		579	22,772			320,000			356,410	699,761
Security deposits						250,000	250,000	250,000		750,000
Deferred rent liability										-
Loans payable				5,567,079	6,800,000	6,045,704	10,021,708	9,975,000		38,409,491
Total long-term liabilities	<u>-</u>	<u>579</u>	<u>22,772</u>	<u>5,567,079</u>	<u>6,800,000</u>	<u>6,615,704</u>	<u>10,271,708</u>	<u>10,225,000</u>	<u>356,410</u>	<u>39,859,252</u>
<b>NET ASSETS:</b>										
Unrestricted	<u>3,299,901</u>	<u>(579)</u>	<u>(24,648)</u>	<u>(652,995)</u>	<u>150,965</u>	<u>132,670</u>	<u>(742,793)</u>	<u>(625,494)</u>	<u>(345,547)</u>	<u>1,191,480</u>
Total net assets	<u>3,299,901</u>	<u>(579)</u>	<u>(24,648)</u>	<u>(652,995)</u>	<u>150,965</u>	<u>132,670</u>	<u>(742,793)</u>	<u>(625,494)</u>	<u>(345,547)</u>	<u>1,191,480</u>
Total liabilities and net assets	<u>\$ 3,310,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,964,771</u>	<u>\$ 6,983,441</u>	<u>\$ 6,910,213</u>	<u>\$ 9,685,671</u>	<u>\$ 9,650,838</u>	<u>\$ 738,248</u>	<u>\$ 42,243,297</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - LAUNCHPAD (Continued)**

June 30, 2013

	<u>From Page 1</u>	<u>LLC8</u>	<u>LLC9</u>	<u>LLC10</u>	<u>LLC11</u>	<u>LLC12</u>	<u>LLC13</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>									
<b>CURRENT ASSETS:</b>									
Cash and cash equivalents	\$ 1,434,207	\$ 327,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,761,230
Restricted cash	2,013,989	710,509							2,724,498
Accounts receivable	404,131	51		30,979				-	435,161
Prepaid expenses and deposits	131,331	14,471	300,000		5,655	50,074		-	501,531
Total current assets	<u>3,983,658</u>	<u>1,052,054</u>	<u>300,000</u>	<u>30,979</u>	<u>5,655</u>	<u>50,074</u>	<u>-</u>	<u>-</u>	<u>5,422,420</u>
<b>LONG-TERM ASSETS:</b>									
Intracompany receivable	2,020,209							(2,020,209)	-
Note receivable	560,000								560,000
Deferred rent asset	531,207	79,701							610,908
Property, plant & equipment	38,583,180	8,229,443	716,362	8,200	636,855	264,008	2,665		48,440,713
Less: Accumulated depreciation	<u>(3,434,957)</u>	<u>(245,382)</u>				<u>(903)</u>			<u>(3,681,242)</u>
Total property, plant and equipment, net	<u>35,148,223</u>	<u>7,984,061</u>	<u>716,362</u>	<u>8,200</u>	<u>636,855</u>	<u>263,105</u>	<u>2,665</u>	<u>-</u>	<u>44,759,471</u>
Total long-term assets	<u>38,259,639</u>	<u>8,063,762</u>	<u>716,362</u>	<u>8,200</u>	<u>636,855</u>	<u>263,105</u>	<u>2,665</u>	<u>(2,020,209)</u>	<u>45,930,379</u>
Total assets	<u>\$ 42,243,297</u>	<u>\$ 9,115,816</u>	<u>\$ 1,016,362</u>	<u>\$ 39,179</u>	<u>\$ 642,510</u>	<u>\$ 313,179</u>	<u>\$ 2,665</u>	<u>\$ (2,020,209)</u>	<u>\$ 51,352,799</u>
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES:</b>									
Accounts payable and accrued liabilities	\$ 24,770	\$ 2,875	\$ 4,649	\$ 6,950	\$ 54,222	\$ 153,935	\$ 2,665	\$ -	\$ 250,066
Accrued interest	209,498	49,936							259,434
Current portion of loans payable	958,297	110,000							1,068,297
Total current liabilities	<u>1,192,565</u>	<u>162,811</u>	<u>4,649</u>	<u>6,950</u>	<u>54,222</u>	<u>153,935</u>	<u>2,665</u>	<u>-</u>	<u>1,577,797</u>
<b>LONG-TERM LIABILITIES:</b>									
Intracompany payable	699,761		762,532	33,049	339,108	185,759		(2,020,209)	-
Security deposits	750,000	100,000	250,000		250,000				1,350,000
Deferred rent liability	-					164,972			164,972
Loans payable	38,409,491	9,350,000							47,759,491
Total long-term liabilities	<u>39,859,252</u>	<u>9,450,000</u>	<u>1,012,532</u>	<u>33,049</u>	<u>589,108</u>	<u>350,731</u>	<u>-</u>	<u>(2,020,209)</u>	<u>49,274,463</u>
<b>NET ASSETS:</b>									
Unrestricted	1,191,480	(496,995)	(819)	(820)	(820)	(191,487)	-	-	500,539
Total net assets	<u>1,191,480</u>	<u>(496,995)</u>	<u>(819)</u>	<u>(820)</u>	<u>(820)</u>	<u>(191,487)</u>	<u>-</u>	<u>-</u>	<u>500,539</u>
Total liabilities and net assets	<u>\$ 42,243,297</u>	<u>\$ 9,115,816</u>	<u>\$ 1,016,362</u>	<u>\$ 39,179</u>	<u>\$ 642,510</u>	<u>\$ 313,179</u>	<u>\$ 2,665</u>	<u>\$ (2,020,209)</u>	<u>\$ 51,352,799</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES - LAUNCHPAD  
For the Year Ended June 30, 2013**

	<u>Launchpad</u>	<u>MLLC1</u>	<u>LCI</u>	<u>LLC1</u>	<u>LLC2</u>	<u>LLC3</u>	<u>LLC4</u>	<u>LLC5</u>	<u>LLC6</u>	<u>Total Page 1</u>
<b>REVENUES:</b>										
Other local revenue	\$ 88,958	\$ -	\$ -	\$ 899,918	\$ 919,645	\$ 923,713	\$ 1,012,653	\$ 661,741	\$ 250,000	\$ 4,756,628
Contributions	25,000									25,000
Total unrestricted revenues	<u>113,958</u>	<u>-</u>	<u>-</u>	<u>899,918</u>	<u>919,645</u>	<u>923,713</u>	<u>1,012,653</u>	<u>661,741</u>	<u>250,000</u>	<u>4,781,628</u>
<b>SUPPORTING SERVICES</b>										
Site supports				733,905	559,239	608,793	1,171,221	860,606	360,191	4,293,955
Administration and general	106,543	229	16,348							123,120
Total supporting services	<u>106,543</u>	<u>229</u>	<u>16,348</u>	<u>733,905</u>	<u>559,239</u>	<u>608,793</u>	<u>1,171,221</u>	<u>860,606</u>	<u>360,191</u>	<u>4,417,075</u>
Total expenses	<u>106,543</u>	<u>229</u>	<u>16,348</u>	<u>733,905</u>	<u>559,239</u>	<u>608,793</u>	<u>1,171,221</u>	<u>860,606</u>	<u>360,191</u>	<u>4,417,075</u>
Change in net assets from operating activities	7,415	(229)	(16,348)	166,013	360,406	314,920	(158,568)	(198,865)	(110,191)	364,553
Distributions from LLCs	<u>1,720,000</u>			<u>(170,000)</u>	<u>(150,000)</u>	<u>(300,000)</u>	<u>(450,000)</u>	<u>(300,000)</u>		<u>350,000</u>
Change in net assets after distributions	1,727,415	(229)	(16,348)	(3,987)	210,406	14,920	(608,568)	(498,865)	(110,191)	714,553
Beginning unrestricted net assets	<u>1,572,486</u>	<u>(350)</u>	<u>(8,300)</u>	<u>(649,008)</u>	<u>(59,441)</u>	<u>117,750</u>	<u>(134,225)</u>	<u>(126,629)</u>	<u>(235,356)</u>	<u>476,927</u>
Ending unrestricted net assets	<u>\$ 3,299,901</u>	<u>\$ (579)</u>	<u>\$ (24,648)</u>	<u>\$ (652,995)</u>	<u>\$ 150,965</u>	<u>\$ 132,670</u>	<u>\$ (742,793)</u>	<u>\$ (625,494)</u>	<u>\$ (345,547)</u>	<u>\$ 1,191,480</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES - LAUNCHPAD (Continued)  
For the Year Ended June 30, 2013**

	<u>From Page 1</u>	<u>LLC7</u>	<u>LLC8</u>	<u>LLC9</u>	<u>LLC10</u>	<u>LLC11</u>	<u>LLC12</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUES:</b>									
Other local revenue	\$ 4,756,628	\$ 244,336	\$ 598,172	\$ -	\$ -	\$ -	\$ -	\$ (82,707)	\$ 5,516,429
Contributions	25,000								25,000
Total unrestricted revenues	<u>4,781,628</u>	<u>244,336</u>	<u>598,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82,707)</u>	<u>5,541,429</u>
<b>SUPPORTING SERVICES</b>									
Site supports	4,293,955	40,000	733,354	-	-	-	190,667	(82,707)	5,175,269
Administration and general	123,120								123,120
Total supporting services	<u>4,417,075</u>	<u>40,000</u>	<u>733,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,667</u>	<u>(82,707)</u>	<u>5,298,389</u>
Total expenses	<u>4,417,075</u>	<u>40,000</u>	<u>733,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,667</u>	<u>(82,707)</u>	<u>5,298,389</u>
Increase (decrease) in unrestricted net assets	364,553	204,336	(135,182)	-	-	-	(190,667)	-	243,040
Distributions from LLCs	<u>350,000</u>		<u>(350,000)</u>						<u>-</u>
Change in net assets after distributions	714,553	204,336	(485,182)	-	-	-	(190,667)	-	243,040
Beginning unrestricted net assets	<u>476,927</u>	<u>(204,336)</u>	<u>(11,813)</u>	<u>(819)</u>	<u>(820)</u>	<u>(820)</u>	<u>(820)</u>	<u>-</u>	<u>257,499</u>
Ending unrestricted net assets	<u>\$ 1,191,480</u>	<u>\$ -</u>	<u>\$ (496,995)</u>	<u>\$ (819)</u>	<u>\$ (820)</u>	<u>\$ (820)</u>	<u>\$ (191,487)</u>	<u>\$ -</u>	<u>\$ 500,539</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS - LAUNCHPAD  
For the Year Ended June 30, 2013**

	<u>Launchpad</u>	<u>MLLC1</u>	<u>LCI</u>	<u>LLC1</u>	<u>LLC2</u>	<u>LLC3</u>	<u>LLC4</u>	<u>LLC5</u>	<u>LLC6</u>	<u>Total Page 1</u>
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>										
Change in Net Assets	\$ 1,727,415	\$ (229)	\$ (16,348)	\$ (3,987)	\$ 210,406	\$ 14,920	\$ (608,568)	\$ (498,865)	\$ (110,191)	\$ 714,553
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:										
Depreciation and amortization	9,250			302,360	148,060	191,500	236,526	230,050		1,117,746
Loss on disposal of property, plant and equipment	21,877								299,615	321,492
(Increase) or decrease in operating assets:										
Accounts receivable	101,601			(54,454)	(41,447)	(12,072)	(3,809)	(221,846)		(232,027)
Prepaid expenses and other current assets	(9,097)	35,000		(158)	(218)	(237)	(60,830)	(13,081)		(48,621)
Deferred rent asset							(153,859)	223,660		69,801
Increase or (decrease) in operating liabilities:										
Accounts payable and accrued liabilities	(300,043)	(15,587)	(1,624)	566	(25,964)	(25,896)	(10,914)	(12,011)	7,874	(383,599)
Deferred revenue				(1,157)	(8,144)	(991)	(1,088)	(1,090)		(12,470)
Deferred rent liability										-
Net cash provided (used) by operating activities	<u>1,551,003</u>	<u>19,184</u>	<u>(17,972)</u>	<u>243,170</u>	<u>282,693</u>	<u>167,224</u>	<u>(602,542)</u>	<u>(293,183)</u>	<u>197,298</u>	<u>1,546,875</u>
<b>CASH FLOWS from INVESTING ACTIVITIES:</b>										
Proceeds from sale of property, plant and equipment		78,204							52,001	130,205
Purchases of property, plant and equipment		(13,436)		(1,175)	(1,162)	(1,160)	(13,972)	(2,694)	(17,192)	(50,791)
Net cash used by investing activities	<u>-</u>	<u>64,768</u>	<u>-</u>	<u>(1,175)</u>	<u>(1,162)</u>	<u>(1,160)</u>	<u>(13,972)</u>	<u>(2,694)</u>	<u>34,809</u>	<u>79,414</u>
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>										
Change in restricted cash	(652)				(99,586)	(50,764)	(525)	65,187		(86,340)
Intracompany loans	(1,206,033)	(33,662)	17,972		(50,000)			260,000	22,309	(989,414)
Receipt (return) of long-term security deposits		(75,000)							(250,000)	(325,000)
Proceeds from debt										-
Repayment of debt				(24,752)		(119,687)			(4,416)	(148,855)
Net cash provided (used) by financing activities	<u>(1,206,685)</u>	<u>(108,662)</u>	<u>17,972</u>	<u>(24,752)</u>	<u>(149,586)</u>	<u>(170,451)</u>	<u>(525)</u>	<u>325,187</u>	<u>(232,107)</u>	<u>(1,549,609)</u>
Net increase (decrease) in cash and cash equivalents	344,318	(24,710)	-	217,243	131,945	(4,387)	(617,039)	29,310	-	76,680
Cash and cash equivalents at the beginning of the year	31,526	24,710	-	76,708	44,356	154,257	940,100	85,870	-	1,357,527
Cash and cash equivalents at the end of the year	<u>\$ 375,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,951</u>	<u>\$ 176,301</u>	<u>\$ 149,870</u>	<u>\$ 323,061</u>	<u>\$ 115,180</u>	<u>\$ -</u>	<u>\$ 1,434,207</u>
<b>CASH PAID FOR INTEREST (Net of capitalized amount)</b>	<u>\$ 17,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,323</u>	<u>\$ 379,194</u>	<u>\$ 405,494</u>	<u>\$ 861,063</u>	<u>\$ 602,053</u>	<u>\$ 31,201</u>	<u>\$ 2,581,694</u>
<b>CAPITALIZED INTEREST</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS - LAUNCHPAD (Continued)  
For the Year Ended June 30, 2013**

	<u>Total Page 1</u>	<u>LLC7</u>	<u>LLC8</u>	<u>LLC9</u>	<u>LLC10</u>	<u>LLC11</u>	<u>LLC12</u>	<u>Eliminations</u>	<u>Total</u>
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>									
Change in Net Assets	\$ 714,553	\$ 204,336	\$ (485,182)	\$ -	\$ -	\$ -	\$ (190,667)	\$ -	\$ 243,040
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:									
Depreciation and amortization	1,117,746		235,383				903		1,354,032
Loss on disposal of property, plant and equipment	321,492								321,492
(Increase) or decrease in operating assets:									
Accounts receivable	(232,027)		(51)		(30,979)				(263,057)
Prepaid expenses and other current assets	(48,621)	40,000	20,703	(300,000)		(5,655)	(50,074)		(343,647)
Deferred rent asset	69,801		(79,701)						(9,900)
Increase or (decrease) in operating liabilities:									
Accounts payable and accrued liabilities	(383,599)	(500)	33,799	4,649	6,949				(338,702)
Deferred revenue	(12,470)								(12,470)
Deferred rent liability							164,972		164,972
Net cash provided (used) by operating activities	<u>1,546,875</u>	<u>243,836</u>	<u>(275,049)</u>	<u>(295,351)</u>	<u>(24,030)</u>	<u>(5,655)</u>	<u>(74,866)</u>	<u>-</u>	<u>1,115,760</u>
<b>CASH FLOWS from INVESTING ACTIVITIES:</b>									
Proceeds from sale of property, plant and equipment	130,205				1,519,866				1,650,071
Purchases of property, plant and equipment	(50,791)		(5,004,053)	(707,081)	(1,521,130)	(582,633)	(110,073)		(7,975,761)
Net cash used by investing activities	<u>79,414</u>	<u>-</u>	<u>(5,004,053)</u>	<u>(707,081)</u>	<u>(1,264)</u>	<u>(582,633)</u>	<u>(110,073)</u>	<u>-</u>	<u>(6,325,690)</u>
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>									
Change in restricted cash	(86,340)		(710,509)						(796,849)
Intracompany loans	(989,414)		(329,394)	762,532	33,049	338,288	184,939		-
Receipt of long-term security deposits	(325,000)	(250,000)	(150,000)	175,000	(75,000)	250,000			(375,000)
Proceeds from debt	-		11,862,852						11,862,852
Repayment of debt	(148,855)		(6,325,259)						(6,474,114)
Net cash provided (used) by financing activities	<u>(1,549,609)</u>	<u>(250,000)</u>	<u>4,347,690</u>	<u>937,532</u>	<u>(41,951)</u>	<u>588,288</u>	<u>184,939</u>	<u>-</u>	<u>4,216,889</u>
Net increase (decrease) in cash and cash equivalents	76,680	(6,164)	(931,412)	(64,900)	(67,245)	-	-	-	(993,041)
Cash and cash equivalents at the beginning of the year	1,357,527	6,164	1,258,435	64,900	67,245	-	-	-	2,754,271
Cash and cash equivalents at the end of the year	<u>\$ 1,434,207</u>	<u>\$ -</u>	<u>\$ 327,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,761,230</u>
<b>CASH PAID FOR INTEREST</b> (Net of capitalized amount)	<u>\$ 2,581,694</u>	<u>\$ -</u>	<u>\$ 450,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,032,458</u>
<b>CAPITALIZED INTEREST</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,764</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**SCHEDULE OF LONG-TERM DEBT - LAUNCHPAD  
For the Year Ended June 30, 2013**

**Futures maturities of debt by instrument:**

<u>June 30,</u>	<u>LLC1 CDFI</u>	<u>LLC2 CDFI</u>	<u>LLC3 SHNM</u>	<u>LLC4 Bonds</u>	<u>LLC5 LIIF</u>	<u>LISC Recoverable</u>	<u>LLC6 LISC</u>	<u>LLC8 Bonds</u>	<u>Total</u>
2014	\$ 26,084	\$ -	\$ 127,702	\$ 85,000	\$ -	\$ 105,540	\$ 613,971	\$ 110,000	\$ 1,068,297
2015	5,567,079		136,252	90,000				120,000	5,913,331
2016		6,800,000	144,324	100,000				125,000	7,169,324
2017			5,765,128	105,000				140,000	6,010,128
2018				115,000	7,202,669			145,000	7,462,669
Thereafter				9,620,000	2,772,331			8,820,000	21,212,331
Discount				(8,292)					(8,292)
Total	<u>\$ 5,593,163</u>	<u>\$ 6,800,000</u>	<u>\$ 6,173,406</u>	<u>\$ 10,106,708</u>	<u>\$ 9,975,000</u>	<u>\$ 105,540</u>	<u>\$ 613,971</u>	<u>\$ 9,460,000</u>	<u>\$ 48,827,788</u>

**Futures maturities of debt by location:**

<u>June 30,</u>	<u>LLC1</u>	<u>LLC2</u>	<u>LLC3</u>	<u>LLC4</u>	<u>LLC5</u>	<u>LLC6</u>	<u>LLC8</u>	<u>Total</u>
2014	\$ 26,084	\$ -	\$ 127,702	\$ 85,000	\$ -	\$ 719,511	\$ 110,000	\$ 1,068,297
2015	5,567,079		136,252	90,000			120,000	5,913,331
2016		6,800,000	144,324	100,000			125,000	7,169,324
2017			5,765,128	105,000			140,000	6,010,128
2018				115,000	7,202,669		145,000	7,462,669
Thereafter				9,620,000	2,772,331		8,820,000	21,212,331
Discount				(8,292)				(8,292)
Total	<u>\$ 5,593,163</u>	<u>\$ 6,800,000</u>	<u>\$ 6,173,406</u>	<u>\$ 10,106,708</u>	<u>\$ 9,975,000</u>	<u>\$ 719,511</u>	<u>\$ 9,460,000</u>	<u>\$ 48,827,788</u>

See the accompanying notes to supplementary information.



**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**SCHEDULE OF INSTRUCTIONAL MINUTES  
For the Year Ended June 30, 2013**

<b>2012-13 Minutes</b>				
	Requirement	Reduced	Actual	Status
<b>Kindergarten:</b>				
Mateo Sheedy	36,000	34,971	46,645	In compliance
Si Se Puede	36,000	34,971	46,645	In compliance
Los Suenos	36,000	34,971	46,645	In compliance
Mosaic	36,000	34,971	46,645	In compliance
Discovery	36,000	34,971	46,645	In compliance
Brilliant Minds	36,000	34,971	46,645	In compliance
Alma	36,000	34,971	46,645	In compliance
<b>Grade 1:</b>				
Mateo Sheedy	50,400	48,960	50,835	In compliance
Si Se Puede	50,400	48,960	50,835	In compliance
Los Suenos	50,400	48,960	50,835	In compliance
Mosaic	50,400	48,960	50,835	In compliance
Discovery	50,400	48,960	50,835	In compliance
Brilliant Minds	50,400	48,960	50,835	In compliance
Alma	50,400	48,960	50,835	In compliance
<b>Grade 2:</b>				
Mateo Sheedy	50,400	48,960	50,835	In compliance
Si Se Puede	50,400	48,960	50,835	In compliance
Los Suenos	50,400	48,960	50,835	In compliance
Mosaic	50,400	48,960	50,835	In compliance
Discovery	50,400	48,960	50,835	In compliance
Brilliant Minds	50,400	48,960	50,835	In compliance
Alma	50,400	48,960	50,835	In compliance
<b>Grade 3:</b>				
Mateo Sheedy	50,400	48,960	50,835	In compliance
Si Se Puede	50,400	48,960	50,835	In compliance
Los Suenos	50,400	48,960	50,835	In compliance
Mosaic	50,400	48,960	50,835	In compliance
Discovery	50,400	48,960	50,835	In compliance
Alma	50,400	48,960	50,835	In compliance

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**SCHEDULE OF INSTRUCTIONAL MINUTES  
For the Year Ended June 30, 2013**

<b>2012-13 Minutes</b>				
	Requirement	Reduced	Actual	Status
Grade 4:				
Mateo Sheedy	54,000	52,457	52,505	In compliance
Si Se Puede	54,000	52,457	52,505	In compliance
Los Suenos	54,000	52,457	52,505	In compliance
Mosaic	54,000	52,457	52,505	In compliance
Discovery	54,000	52,457	52,505	In compliance
Grade 5:				
Mateo Sheedy	54,000	52,457	52,505	In compliance
Si Se Puede	54,000	52,457	52,505	In compliance
Los Suenos	54,000	52,457	52,505	In compliance
Mosaic	54,000	52,457	52,505	In compliance
Discovery	54,000	52,457	52,505	In compliance
Grade 6:				
Mateo Sheedy	54,000	52,457	52,505	In compliance
Si Se Puede	54,000	52,457	52,505	In compliance
Los Suenos	54,000	52,457	52,505	In compliance
Mosaic	54,000	52,457	52,505	In compliance
Discovery	54,000	52,457	52,505	In compliance

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Year Ended June 30, 2012**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
Kindergarten:				
Mateo Sheedy	110.50	110.70	110.70	110.88
Si Se Puede	111.55	112.01	112.25	112.53
Los Suenos	117.06	117.14	117.01	117.13
Mosaic	115.72	116.06	115.50	115.78
Discovery	115.68	115.79	115.01	115.12
Brilliant Minds	90.46	90.55	90.70	90.76
Alma	229.56	230.23	229.47	230.30
Subtotal	<u>890.53</u>	<u>892.48</u>	<u>890.64</u>	<u>892.50</u>
Grades 1-3:				
Mateo Sheedy	312.12	312.24	310.81	311.00
Si Se Puede	358.48	359.08	359.06	359.27
Los Suenos	353.09	353.43	352.37	352.62
Mosaic	377.24	378.10	377.79	378.45
Discovery	368.56	369.03	367.38	367.84
Brilliant Minds	83.12	83.22	82.98	83.05
Alma	226.82	227.59	226.58	227.75
Subtotal	<u>2,079.43</u>	<u>2,082.69</u>	<u>2,076.97</u>	<u>2,079.98</u>
Grades 4-6:				
Mateo Sheedy	153.00	153.04	152.78	152.85
Si Se Puede	159.55	159.65	159.40	159.60
Los Suenos	140.67	140.87	139.86	140.01
Mosaic	113.44	113.78	113.03	113.28
Discovery	119.37	119.98	119.26	119.85
Subtotal	<u>686.03</u>	<u>687.32</u>	<u>684.33</u>	<u>685.59</u>
Total ADA	<u>3,655.99</u>	<u>3,662.49</u>	<u>3,651.94</u>	<u>3,658.07</u>

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

There were no adjustments between the Annual Financial Report to the Audited Financial Statements.

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2013**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Through Entity Identifying Number</b>	<b>RSN</b>	<b>RMS</b>	<b>RSSP</b>	<b>RLS</b>	<b>ROMO</b>	<b>RDP</b>	<b>RBM</b>	<b>RSA</b>	<b>RSK</b>	<b>Federal Expenditures</b>
<i>U.S. Department of Education</i>												
Pass Through Program From												
California Department of Education:												
American Recovery and Reinvestment Act:												
Title I Cluster:												
Title I, Part A, Basic Grants												
Low-Income and Neglected	84.010	14329	\$ -	\$ 163,230	\$ 188,479	\$ 213,170	\$ 196,651	\$ 197,445	\$ 54,566	\$ 142,927	\$ -	\$ 1,156,468
Title II	84.367	14341		4,375	4,932	5,593	5,330	5,357	1,479	3,943		31,009
Title III	84.365	14356		34,772	39,105	48,300						122,177
Title V	84.282	14941	7,500									7,500
CSP	84.282M	N/A	241,652						70,108	149,767	16,437	477,964
State Charter Schools Facilities	84.282D	N/A		79,814	26,212							106,026
Special Education Cluster:												
Special Education IDEA	84.027	13379	317,947	11,613	12,611	11,265	5,962	2,406				361,804
Subtotal: Special Ed Cluster			317,947	11,613	12,611	11,265	5,962	2,406	-	-	-	361,804
<i>Total U.S Department of Education</i>			<u>567,099</u>	<u>293,804</u>	<u>271,339</u>	<u>278,328</u>	<u>207,943</u>	<u>205,208</u>	<u>126,153</u>	<u>296,637</u>	<u>16,437</u>	<u>2,262,948</u>
<i>U.S. Department of Agriculture:</i>												
Pass Through Program From												
California Department of Education:												
Child Nutrition Programs	10.555	N/A		257,286	250,950	350,800	197,014	222,253	78,879	174,834		1,532,016
<i>Total U.S Department of Agriculture</i>			-	257,286	250,950	350,800	197,014	222,253	78,879	174,834	-	1,532,016
<b>Total Federal Expenditures</b>			<u>\$ 567,099</u>	<u>\$ 551,090</u>	<u>\$ 522,289</u>	<u>\$ 629,128</u>	<u>\$ 404,957</u>	<u>\$ 427,461</u>	<u>\$ 205,032</u>	<u>\$ 471,471</u>	<u>\$ 16,437</u>	<u>\$ 3,794,964</u>

N/A – Not available.

See the accompanying notes to supplementary information.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**NOTES TO SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2013**

**NOTE 1 - PURPOSE OF SCHEDULES:**

**A. Consolidating Statements**

These statements provide detailed financial information of each affiliate.

**B. Schedule of Expenditures by State Categories**

This schedule presents expenses by the object codes according to state categories for analysis purposes.

**C. Schedule of Long-Term Debt**

These statements provide detailed long-term schedules both by debt instrument and by affiliate.

**D. Schedule of Instructional Minutes**

This schedule presents information on the amount of instructional time offered by Rocketship Schools and whether the schools complied with the provisions of Education Code Sections 46200 through 46206.

**E. Schedule of Average Daily Attendance (ADA)**

Average daily attendance is a measurement of the number of pupils attending classes of Rocketship Schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

**F. Reconciliation of Annual Financial Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances (net assets) of the charter school as reported on the Annual Financial Report form to the audited financial statements.

**G. Schedule of Expenditures of Federal Awards**

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133, this schedule is presented on the accrual basis of accounting.



**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Rocketship Education and its Affiliates

We have audited the financial statements of Rocketship Education and its Affiliates (RSEA) as of and for the year ended June 30, 2013, and have issued our report thereon dated November 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of financial statements, we considered RSEA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RSEA's internal control. Accordingly, we do not express an opinion on the effectiveness of RSEA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of RSEA's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether RSEA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
November 14, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM; AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Rocketship Education and its Affiliates

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Rocketship Education and its Affiliates (RSEA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. RSEA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor Responsibility**

Our responsibility is to express an opinion on compliance for each of RSEA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RSEA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of RSEA's compliance.

**Opinion on Each Major Federal Program**

In our opinion, RSEA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM; AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**Report on Internal Control Over Compliance**

Management of RSEA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RSEA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RSEA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
November 14, 2013



**INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE**

Board of Directors  
 Rocketship Education and its Affiliates

We have audited Rocketship Education and its Affiliates’ (RSEA) compliance with the types of compliance requirements described in the *2012-13 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2013. RSEA’s State compliance requirements are identified in the table below.

**Management’s Responsibility**

Compliance with the State laws and regulations as identified below is the responsibility of RSEA’s management.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on RSEA’s compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2012-13 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about RSEA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on State compliance. However, our audit does not provide a legal determination of RSEA’s compliance with those requirements.

**Compliance Requirements Tested**

In connection with the audit referred to above, we selected and tested transactions and records to determine RSEA’s compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Not applicable
Teacher certification and misassignments	3	Not applicable
Kindergarten continuance	3	Not applicable
Continuation education	10	Not applicable
Independent study	23	Not applicable

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time:		
School Districts	6	Not applicable
County Offices of Education	3	Not applicable
Class size reduction program (including charter schools):		
General requirements	7	Not applicable
Option 1	3	Not applicable
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
Instructional materials general requirements	8	Not applicable
Ratios of administrative employees to teachers	1	Not applicable
Classroom teacher salaries	1	Not applicable
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Not applicable
School Accountability Report Card	3	Not applicable
Juvenile Court Schools	8	Not applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Yes
Mode of Instruction	1	Yes
Nonclassroom-based instructional/independent study	15	No <sup>(1)</sup>
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	4	Yes

<sup>1</sup>We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

### Opinion on State Compliance

In our opinion, RSEA complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2013.

### Purpose of the Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2012-13 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
November 14, 2012

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued November 14, 2013:	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>No</i>
Noncompliance material to financial statements noted?	<i>No</i>

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>No</i>
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of (Circular A-133)?	<i>No</i>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.365	Title III

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<i>Yes</i>

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

All audit findings must be identified as one or more of the following eleven categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings noted for the year ended June 30, 2013.

**ROCKETSHIP EDUCATION  
AND ITS AFFILIATES**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

There were no findings noted for the year ended June 30, 2012.