

K12 INC  
Form 10-Q  
April 29, 2014  
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from        to

Commission File Number: 001-33883

**K12 Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**95-4774688**

(IRS Employer  
Identification No.)

**2300 Corporate Park Drive  
Herndon, VA**

(Address of principal executive offices)

**20171**

(Zip Code)

**(703) 483-7000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 24, 2014, the Registrant had 39,553,049 shares of common stock, \$0.0001 par value per share outstanding.

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	<b>March 31, 2014</b>	<b>June 30, 2013</b>
	<b>(In thousands, except share and per share data)</b>	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 185,332	\$ 181,480
Accounts receivable, net of allowance of \$3,310 and \$2,560 at March 31, 2014 and June 30, 2013, respectively	236,445	186,459
Inventories, net	21,294	44,395
Current portion of deferred tax asset	6,165	11,368
Prepaid expenses	10,396	10,331
Other current assets	27,823	23,916
<b>Total current assets</b>	<b>487,455</b>	<b>457,949</b>
Property and equipment, net	50,010	56,142
Capitalized software, net	46,660	43,504
Capitalized curriculum development costs, net	61,219	64,599
Intangible assets, net	24,783	32,139
Goodwill	61,581	61,413
Deposits and other assets	5,547	3,150
<b>Total assets</b>	<b>\$ 737,255</b>	<b>\$ 718,896</b>
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY</b>		
<b>Current liabilities</b>		
Current portion of capital lease obligations	\$ 20,954	\$ 19,395
Current portion of note payable		390
Accounts payable	24,614	21,838
Accrued liabilities	14,910	17,027
Accrued compensation and benefits	19,436	21,970
Deferred revenue	52,468	28,567
<b>Total current liabilities</b>	<b>132,382</b>	<b>109,187</b>
Capital lease obligations, net of current portion	16,651	16,107
Deferred rent, net of current portion	8,595	8,833
Deferred tax liability	28,690	33,299
Other long-term liabilities	2,297	2,512
<b>Total liabilities</b>	<b>188,615</b>	<b>169,938</b>
<b>Commitments and contingencies</b>		
<b>Redeemable noncontrolling interest</b>	<b>15,200</b>	<b>15,200</b>
<b>Equity:</b>		
<b>K12 Inc. stockholders' equity</b>	<b>4</b>	<b>4</b>

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Common stock, par value \$0.0001; 100,000,000 shares authorized; 41,138,238 and 37,440,662 shares issued and 39,895,938 and 37,440,662 outstanding at March 31, 2014 and June 30, 2013, respectively			
Additional paid-in capital	630,533		548,390
Series A Special Stock, par value \$0.0001; 2,750,000 shares authorized, zero and 2,750,000 issued and outstanding at March 31, 2014 and June 30, 2013, respectively			63,112
Accumulated other comprehensive loss	(54)		(294)
Accumulated deficit	(73,806)		(81,050)
Treasury stock of 1,242,300 and zero shares at cost at March 31, 2014 and June 30, 2013, respectively	(26,624)		
<b>Total K12 Inc. stockholders equity</b>	<b>530,053</b>		<b>530,162</b>
Noncontrolling interest	3,387		3,596
<b>Total equity</b>	<b>533,440</b>		<b>533,758</b>
<b>Total liabilities, redeemable noncontrolling interest and equity</b>	<b>\$ 737,255</b>	<b>\$</b>	<b>718,896</b>

See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.

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	<b>Three Months Ended March 31,</b>		<b>Nine Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(In thousands, except share and per share data)</b>			
<b>Revenues</b>	\$ 235,222	\$ 218,009	\$ 687,507	\$ 645,133
<b>Cost and expenses</b>				
Instructional costs and services	140,592	127,759	427,165	369,205
Selling, administrative, and other operating expenses	64,414	65,828	238,411	216,826
Product development expenses	2,831	5,070	11,916	14,817
<b>Total costs and expenses</b>	207,837	198,657	677,492	