

BDC, A PUBLIC CHARTER SCHOOL, INC.
(AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.)

(BASIS DC)

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
BDC, A Public Charter School, Inc.
410 8th Street, NW
Washington, DC 20004

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of BDC, A Public Charter School, Inc., (a nonprofit organization and affiliate of BASIS Charter Schools, Inc.) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 from 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

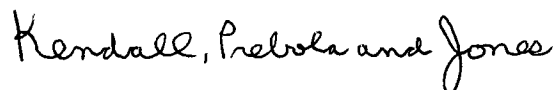
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BDC, A Public Charter School, Inc., (an affiliate of BASIS Charter Schools, Inc.) as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of BDC, A Public Charter School, Inc.'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 solely 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 the 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 BDC, A Public Charter School, Inc.'s internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 30, 2018

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,584,320	\$ 1,485,045
Accounts Receivable	66,656	24,130
Grants Receivable	59,075	10,075
Promises Receivable	26,500	39,462
Due from Related Organizations	112,470	28,225
Prepaid Expenses	<u>11,885</u>	<u>33,761</u>
Total Current Assets	<u>\$ 1,860,906</u>	<u>\$ 1,620,698</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation and Amortization	<u>\$ 482,104</u>	<u>\$ 197,839</u>
Total Fixed Assets	<u>\$ 482,104</u>	<u>\$ 197,839</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 1,375</u>	<u>\$ 1,375</u>
Total Other Assets	<u>\$ 1,375</u>	<u>\$ 1,375</u>
TOTAL ASSETS	<u>\$ 2,344,385</u>	<u>\$ 1,819,912</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 112,844	\$ 80,061
Accrued Wages	287,209	292,843
Accrued Vacation	21,139	-
Due to Related Organizations	309,104	108,811
Deferred Revenues	<u>11,837</u>	<u>2,732</u>
Total Current Liabilities	<u>\$ 742,133</u>	<u>\$ 484,447</u>
Total Liabilities	<u>\$ 742,133</u>	<u>\$ 484,447</u>
<u>Net Assets:</u>		
Unrestricted	\$ 1,375,324	\$ 1,073,191
Board Designated	26,500	100,000
Temporarily Restricted	<u>200,428</u>	<u>162,274</u>
Total Net Assets	<u>\$ 1,602,252</u>	<u>\$ 1,335,465</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,344,385</u>	<u>\$ 1,819,912</u>

(See Accompanying Notes and Auditor's Report)

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018			June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 7,351,042	\$ -	\$ 7,351,042	\$ 6,817,771	\$ -	\$ 6,817,771
Per Pupil Funding - Facilities Allocation	1,902,866	-	1,902,866	1,865,028	-	1,865,028
Federal Entitlements and Grants	144,668	-	144,668	154,975	-	154,975
Donated Commodities	6,003	-	6,003	10,651	-	10,651
State Grants	36,890	-	36,890	45,865	-	45,865
Contributions	5,129	148,283	153,412	-	156,854	156,854
Student Activity Fees	278,975	-	278,975	170,071	-	170,071
Rental of Classroom Facilities	5,083	-	5,083	-	-	-
Loss on Disposal of Fixed Assets	-	-	-	(1,663)	-	(1,663)
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>110,129</u>	<u>(110,129)</u>	<u>-</u>	<u>162,913</u>	<u>(162,913)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 9,840,785</u>	<u>\$ 38,154</u>	<u>\$ 9,878,939</u>	<u>\$ 9,225,611</u>	<u>\$ (6,059)</u>	<u>\$ 9,219,552</u>
<u>Expenses:</u>						
Educational Services	\$ 8,913,197	\$ -	\$ 8,913,197	\$ 8,676,468	\$ -	\$ 8,676,468
General and Administrative	637,756	-	637,756	552,482	-	552,482
Fundraising	<u>61,199</u>	<u>-</u>	<u>61,199</u>	<u>48,233</u>	<u>-</u>	<u>48,233</u>
Total Expenses	<u>\$ 9,612,152</u>	<u>\$ -</u>	<u>\$ 9,612,152</u>	<u>\$ 9,277,183</u>	<u>\$ -</u>	<u>\$ 9,277,183</u>
Changes in Net Assets	\$ 228,633	\$ 38,154	\$ 266,787	\$ (51,572)	\$ (6,059)	\$ (57,631)
Net Assets, Beginning of Year	<u>1,173,191</u>	<u>162,274</u>	<u>1,335,465</u>	<u>1,224,763</u>	<u>168,333</u>	<u>1,393,096</u>
Net Assets, End of Year	<u>\$ 1,401,824</u>	<u>\$ 200,428</u>	<u>\$ 1,602,252</u>	<u>\$ 1,173,191</u>	<u>\$ 162,274</u>	<u>\$ 1,335,465</u>

(See Accompanying Notes and Auditor's Report)

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 266,787	\$ (57,631)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	117,667	114,804
Loss on Disposal of Fixed Assets	-	1,663
Accounts Receivable - (Increase)/Decrease	(42,526)	20,829
Grants Receivable - (Increase)/Decrease	(49,000)	8,215
Promises Receivable - (Increase)/Decrease	12,962	(39,287)
Due from Related Organizations - (Increase)/Decrease	(84,245)	(28,225)
Prepaid Expenses - (Increase)/Decrease	21,876	(6,565)
Accounts Payable - Increase/(Decrease)	32,783	(46,746)
Accrued Wages - Increase/(Decrease)	(5,634)	98,976
Accrued Vacation - Increase/(Decrease)	21,139	-
Due to Related Organizations - Increase/(Decrease)	200,293	57,850
Deferred Revenues - Increase/(Decrease)	<u>9,105</u>	<u>(2,343)</u>
Net Cash Flows from Operating Activities	<u>\$ 501,207</u>	<u>\$ 121,540</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (79,820)	\$ (46,868)
Purchase of Textbooks	(22,579)	(42,103)
Purchase of Leasehold Improvements	<u>(299,533)</u>	<u>(9,113)</u>
Net Cash Flows from Investing Activities	<u>\$ (401,932)</u>	<u>\$ (98,084)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 99,275	\$ 23,456
Cash and Cash Equivalents at Beginning of Year	<u>1,485,045</u>	<u>1,461,589</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,584,320</u>	<u>\$ 1,485,045</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2018 and 2017.
- b) No interest was paid during the years ended June 30, 2018 and 2017.

(See Accompanying Notes and Auditor's Report)

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

BASIS DC - BDC, A Public Charter School, Inc., a District of Columbia Not-for-Profit Corporation - was incorporated on July 26, 2011, exclusively for educational purposes. The Public Charter School operates as part of the District of Columbia Public School System. BDC's sole member is BASIS Charter Schools, Inc. (BCSI) (an Arizona based nonprofit corporation). BCSI has the authority to vote on matters as they relate to appointing one or more members of the governing body, Executive Director, and other rights and privileges as authorized by the governing documents. BDC is governed by the Board of Directors who have the primary accountability for the fiscal affairs of the Charter School.

BDC receives a majority of its funding from the District of Columbia based on the enrollment data collection date specified by the DC Public Charter School Board. Since the Charter School receives funding from local, state, and federal sources, it must comply with the requirements of the entities providing those funds.

BDC does not conduct any non-charter activities.

The mission of BASIS Washington DC is to empower students to achieve at globally competitive levels with a transformative academic program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor-imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor-imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. An allowance for uncollectable contributions receivable is provided based upon management's judgment, including such factors as prior collection history and type of contribution.

The Charter School reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Charter School reports expirations of donor restrictions when the donated or acquired assets are placed in service.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(b) Revenue Recognition: (Continued)

Federal and Charter School Funding

BASIS DC receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. BASIS DC recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance. Federal entitlements are recognized based on the allowable costs incurred.

Student Activity Fees

The Charter School offers fee-based extended day programming for students, book purchases, as well as various extra-curricular activities (chess club, taekwondo, photography, anime club, etc.). Activity fees are collected based on a monthly fee. Student activity fees are recognized as revenue when the activity occurs.

(c) Corporate Taxes:

Federal Income Taxes

BASIS DC is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Accordingly, no provision for income taxes has been provided for in the accompanying financial statements. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The Charter School did not have any net unrelated business income for the years ended June 30, 2018 and 2017.

District of Columbia Real Estate Taxes and Sales Tax

Pursuant to District of Columbia Code, effective March 1, 2012, the BASIS DC campus leased from BASIS Charter Schools is exempt from real property taxation. In addition, BASIS DC was granted sales tax exemption on April 23, 2014.

(d) Government Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia in the form of exchange transactions. These grants are subject to financial and compliance audits by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Government Grants: (Continued)

Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue.

(e) Net Assets:

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*, which requires reporting information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are defined as net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions. Board designated funds in the amount of \$26,500 and \$100,000, respectively, as of June 30, 2018 and 2017, were for the purpose of the Annual Teacher Fund.

Temporarily Restricted Net Assets

Temporarily restricted net assets are defined as net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets were available at year end for the following purpose:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual Teacher Fund	\$ 200,428	\$ 162,274
Total	<u>\$ 200,428</u>	<u>\$ 162,274</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, the passage of time, or by the occurrence of events specified by donors for the following activity:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual Teacher Fund	\$ 110,129	\$ 162,913
Total Released	<u>\$ 110,129</u>	<u>\$ 162,913</u>

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets are defined as net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2018 or 2017.

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the BASIS DC Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There were no donated services or materials recognized during the years ended June 30, 2018 and 2017.

(g) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, instructional supplies and equipment, assessment material, and contracted instructional/student services) are allocated entirely to program services.

Personnel expenses for leased employee salaries are allocated based on the employee's function and management's estimates of time spent on particular activities. Personnel expenses for leased employees are divided into employee categories (teachers, clerical, other educational professional staff, etc.) and then a percentage of time devoted to program services, general and administrative activities, and fundraising activities is applied. All other personnel expenses such as the benefits and payroll taxes incurred on leased employee wages are allocated based on the weighted average allocation of the direct leased salaries.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Functional Expense Allocation Policies and Procedures: (Continued)

For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for personnel expenses is utilized for cost allocation purposes.

(h) 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, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued wages.

(j) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

3. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in BDC, A Public Charter School, Inc.'s financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. BDC, A Public Charter School, Inc., performed an evaluation of uncertain tax positions for the year ended June 30, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2018, the statute of limitations for tax years 2014 through 2016 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the BDC, A Public Charter School, Inc.'s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2018, BDC, A Public Charter School, Inc., had no accruals for interest and/or penalties.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS:

The carrying amount of cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Non-Interest Bearing Checking Accounts	\$ 1,584,320	\$ 1,485,045
Total	<u>\$ 1,584,320</u>	<u>\$ 1,485,045</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

BASIS DC maintains its operating funds in one financial institution. These checking accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per account category. Deposits held in non-interest-bearing transaction accounts are aggregated with all interest-bearing deposits and the combined total is insured up to \$250,000.

As of June 30, 2018 and 2017, \$1,397,945 and \$1,248,525, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. BASIS DC was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2018 and 2017 consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Accounts Receivable</u>		
Activity Fees	\$ 42,012	\$ 9,792
Per Pupil Funding	21,792	12,593
Reimbursable Expenses	<u>2,852</u>	<u>1,745</u>
Total	<u>\$ 66,656</u>	<u>\$ 24,130</u>
<u>Grants Receivable</u>		
Individuals with Disabilities Education Act (IDEA 611)	\$ 32,804	\$ 5,517
Improving School Climate	12,286	-
National School Lunch and Breakfast Program	11,774	3,993
Healthy Schools Act	1,665	565
Special Education Enhancement	<u>546</u>	<u>-</u>
Total	<u>\$ 59,075</u>	<u>\$ 10,075</u>

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

Accounts and Grants Receivable (Continued)

The Charter School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for amounts owed to it throughout the year and at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2018 and 2017.

Trade receivables related to program service fees (activity fees, meals, etc.) are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable once management determines that available collection efforts have been exhausted.

Promises Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Promises receivable at year end consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual Teacher Fund	\$ <u>26,500</u>	\$ <u>39,462</u>
Total	\$ <u>26,500</u>	\$ <u>39,462</u>

The above unconditional promises receivable are all due to be received in less than one year.

6. FIXED ASSETS:

Furniture, equipment, textbooks, and leasehold improvements are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$300 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. Textbooks with an estimated life of one year or more are capitalized. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

6. FIXED ASSETS: (Continued)

Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$117,667 and \$114,804, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

<u>June 30, 2018</u>				
	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Textbooks	3 Years	\$ 240,746	\$ 203,130	\$ 37,616
Furniture and Equipment	3-5 Years	462,335	331,243	131,092
Software	3 Years	11,577	3,824	7,753
Leasehold Improvements	10-25 Years	<u>316,043</u>	<u>10,400</u>	<u>305,643</u>
Total		<u>\$ 1,030,701</u>	<u>\$ 548,597</u>	<u>\$ 482,104</u>
<u>June 30, 2017</u>				
	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Textbooks	3 Years	\$ 218,167	\$ 163,005	\$ 55,162
Furniture and Equipment	3-5 Years	394,092	266,166	127,926
Leasehold Improvements	10 Years	<u>16,510</u>	<u>1,759</u>	<u>14,751</u>
Total		<u>\$ 628,769</u>	<u>\$ 430,930</u>	<u>\$ 197,839</u>

7. DUE TO/FROM RELATED ORGANIZATIONS:

As of June 30, 2018 and 2017, amounts due and payable to related organizations are as follow:

	<u>June 30, 2018 Due From/(To)</u>	<u>June 30, 2017 Due From/(To)</u>
BASIS Educational Group	\$ 112,470	\$ (108,811)
BASIS Charter Schools, Inc.	<u>(309,104)</u>	<u>28,225</u>
Total	<u>\$ (196,634)</u>	<u>\$ (80,586)</u>

8. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract dated July 1, 2012, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about January 1, 2027.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

8. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that BASIS DC is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the BASIS DC charter every five years, with the first such review conducted in the Fall of 2016. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 17/18 school year) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2018 and 2017 the Charter School incurred \$87,484 and \$90,644, respectively, in administrative fees.

The charter contract provides that BASIS DC may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2018, was not permitted to be greater than 711 students. Audit enrollment for the 2017/2018 year was 599 students and for the 2016/2017 year was 597 students.

9. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2018, the per-student rate ranged from \$10,257 to \$12,514 for the educational allotment and \$3,193 for the facility allotment. For the year ended June 30, 2017, the per-student rate ranged from \$9,682 to \$11,812 for the educational allotment and \$3,124 for the facility allotment. Additional allotments were made for Special Education services and English as a Second Language. Per-pupil funding for the years ended June 30, 2018 and 2017 was as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Grade Level 5 th - 12 th Grade	\$ 6,719,567	\$ 6,336,094
Special Education	304,673	351,939
At Risk Students	123,544	106,017
English as a Second Language	60,311	23,721
Facilities Allowance	1,902,866	1,865,028
Teachers Collective Bargaining	<u>142,947</u>	<u>-</u>
Total	<u>\$ 9,253,908</u>	<u>\$ 8,682,799</u>

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

10. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2018 and 2017, BASIS DC participated in the following federal award programs:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Individuals with Disabilities Education Act (IDEA 611)	\$ 79,526	\$ 90,769
National School Lunch and Breakfast Programs	27,484	28,089
Elementary and Secondary Education (Title II)	25,372	36,117
Improving School Climate	12,286	-
Donated Commodities	<u>6,003</u>	<u>10,651</u>
Total	<u>\$ 150,671</u>	<u>\$ 165,626</u>

Federal formula grants are allocations of money to states or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of the State Superintendent of Education (OSSE).

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

11. COMMITMENTS:

Office Lease - 410-412 Eighth Street, NW

BASIS DC entered into a lease agreement on February 29, 2012, with BASIS Charter Schools for the rental of office space located at 410-412 Eighth Street, NW, Washington, DC. The lease term is effective for a three hundred and sixty-four (364) month period beginning on February 29, 2012, and expiring on June 30, 2042, with rent payments commencing on November 21, 2012. Base rent payments have been defined as the amount equal to the amount the Lessor is obligated to pay for the debt service of the loans on the occupied property as well as any other taxes, insurance etc. on the leased property. Once the debt is retired, monthly payments will be calculated at the previous year's debt service payment adjusted annually based on the Consumer Price Index. Monthly required base lease payments at July 1, 2017, were \$159,142. Included in the lease is an option to extend for one additional consecutive ten-year period through June 30, 2052. Rent expense related to this lease for the years ended June 30, 2018 and 2017 was \$1,909,706 and \$1,711,507, respectively.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS: (Continued)

Office Lease - 410-412 Eighth Street, NW (Continued)

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>
2019	\$ 1,800,197
2020	1,827,200
2021	1,854,608
2022	1,882,427
2023	<u>1,910,664</u>
Total	<u>\$ 9,275,096</u>

12. GUARANTEE OF INDEBTEDNESS:

Industrial Development Authority

On January 1, 2016, BASIS Charter Schools refinanced existing debt through the issue of Education Facility Revenue Bonds (BASIS Charter Schools Project, Series 2016A) by the Industrial Development Authority of the City of Phoenix, Arizona, in the aggregate principal amount of \$84,160,000. Of this amount, \$33,890,000 relates to the refinancing of debt with Educational Capital Solutions, LLC, and 410 Eight Street, LLC, originally incurred to purchase and improve the BASIS DC Campus. The proceeds of the bonds were loaned to BASIS Charter Schools pursuant to a loan agreement dated January 1, 2016. The loan matures over 30 years with interest rates between 3.00% and 5.00%. The loan proceeds were used by BASIS Charter Schools for the following purposes: to (i) refinance the costs of acquiring, constructing, improving and equipping, as applicable, the BASIS DC Campus, as well as five other BASIS Charter Schools, (ii) fund a portion of a debt service reserve fund that will provide security for the bonds, (iii) pay capitalized interest on a portion of the bonds and (iv) pay certain issuance and underwriter expenses related to the bonds. The portion of the bond refinancing applicable to the BASIS DC Campus is secured by an assignment of the lease agreement and a deed of trust granting the first position lien on and security interest in the BASIS DC campus and through an assignment of the District of Columbia per pupil funding received by BASIS DC.

Credit Card Account

BASIS DC utilizes a Visa credit card issued by Wells Fargo Bank for purchases related to the Charter School's activity. The credit card is issued in the name of the Charter School with a credit limit of \$20,000. Expenditures charged to this credit card are guaranteed by BASIS DC Public Charter School.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

13. RELATED PARTY TRANSACTIONS:

Organization Structure

As enacted by the Articles of Incorporation, BASIS DC has a sole member with voting rights as well as other rights and privileges as authorized by its governing documents. The sole member is BASIS Charter Schools, a separately incorporated Arizona not-for-profit 501(c)(3) organization that operates multiple charter schools.

School Management Contract

BASIS Educational Group (BEG) is an Arizona corporation that was formed for the purpose of providing comprehensive educational and support services including management services and operational services to charter schools. BASIS DC entered into a service agreement with BASIS Educational Group effective October 5, 2011, and through the period of June 30, 2014. A new service agreement was entered into that was effective on July 1, 2014, and is renewable annually for up to a period of 12 years of renewals. During the year ended June 30, 2018, BASIS DC incurred expenses in the amount of \$1,012,837 for management fees and \$5,309,617 for wages and related benefits. During the year ended June 30, 2017, BASIS DC incurred expenses in the amount of \$992,839 for management fees and \$5,239,356 for wages and related benefits. As of June 30, 2018 and 2017, \$53,662 and \$25,603, respectively, was payable to BEG for management fees. In addition, \$287,209 and \$292,843, respectively, was payable to BEG for accrued leased employee wages and benefits and has been reflected as accrued wages in the financial statements at June 30, 2018 and 2017.

BASIS Charter Schools and BASIS Educational Group own the trademarks including the BASIS logo. As a provision to the management services agreement, BASIS DC is permitted to utilize these trademarked items.

Executive Director's Office

BASIS Charter Schools and BASIS DC share an Executive Director and Assistant to the Director. During the year ended June 30, 2018, BASIS DC incurred expenses in the amount of \$36,611 payable to BASIS Charter Schools for wages and related benefits. During the year ended June 30, 2017 BASIS DC incurred expenses in the amount of \$28,936 payable to BASIS Charter Schools for wages and related benefits.

Board of Directors

The Board Chairperson of BASIS DC is also the Board Chairperson of BASIS Charter Schools. Two of the trustees appointed to serve on the Board of Directors are parents of students attending the BASIS DC Charter School. Parent trustees are elected by a majority vote of the board members from a list of qualified individuals submitted to the board by an advisory committee.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

14. BOOSTER ORGANIZATION:

The Basis DC Boosters was incorporated and formed for the purpose of supporting the BASIS DC Public Charter School. Exemption was granted from the Internal Revenue Service to form as a 501(c)(3) supporting organization within the meaning of 509(a)(3) of the Internal Revenue Code, effective February 22, 2012. The Basis DC Boosters organization seeks support through fundraising and volunteerism and proceeds generated are donated to BASIS DC to fund the Annual Teacher Fund. This fund is instrumental in supporting the efforts to recruit and retain high quality teachers. During the years ended June 30, 2018 and 2017, the Boosters organization provided a donation to BASIS DC in the amount of \$26,500 and \$38,000, respectively, to be deposited and utilized in the Annual Teacher Fund.

15. CONCENTRATIONS:

Revenues

BASIS DC receives public funds from the District of Columbia based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2018 and 2017, ninety-four percent (94%) of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, BASIS DC receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education), as well as the U.S. Department of Agriculture (Child Nutrition). BASIS DC is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

BASIS DC is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

16. CONTINGENCIES:

BASIS DC was granted its charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. BASIS DC has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding of funds) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's board of directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

16. CONTINGENCIES: (Continued)

Laws and regulations governing charter schools are complex and subject to interpretation. BASIS DC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia. Any future change in dynamics could adversely affect the operations of public charter schools.

Litigation

From time to time, BASIS DC is involved in routine litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the Charter School is a party for which management believes the ultimate outcome would have a material adverse effect on the Charter School's financial position.

17. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 30, 2018, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

18. FUNDRAISING:

During the years ended June 30, 2018 and 2017, expenses incurred for the purpose of fundraising were \$61,199 and \$48,233, respectively.

19. ADVERTISING:

Advertising costs are expensed when incurred. Advertising activities were conducted for the purpose of promoting open enrollment to the Charter School and to provide outreach to the community. Direct advertising costs in the amount of \$12,549 and \$24,048 were incurred during the years ended June 30, 2018 and 2017, respectively.

20. RETIREMENT PLAN:

401(k) Retirement Plan

Pension benefits for the leased employees of BASIS DC are provided through a defined contribution 401(k) retirement plan sponsored by BASIS Educational Group and administered by Vanguard. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code.

BDC, A PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

20. RETIREMENT PLAN: (Continued)

401(k) Retirement Plan (Continued)

The Charter School is required to make employer non-elective safe harbor contributions of 3% of annual employee compensation for employees with more than six months of employment. Participants are 100% vested in their contributions and the 3% employer safe harbor contribution. Authorized entry dates into the plan are January 1st and July 1st following the date that the eligibility requirements are met. In addition, there is a discretionary contribution determined on an annual basis separated into two separate tiers dependent upon length of service. For employees with less than fifty-eight (58) months of service, employer contributions are equal to 1/2% of eligible compensation for each 1% the employee contributes above 3% up to a maximum total employer contribution of 4%. For those employees with fifty-eight (58) months or more (other than highly compensated employees), the employer will provide a match contribution up to a maximum total employer contribution of 9%.

21. CONSOLIDATION:

Management has applied principles of FASB ASC 958-810, *Reporting of Related Entities by Not-for-Profit Organizations*, in assessing the need to consolidate the financial statements of BASIS DC with those of BASIS Charter Schools. Under FASB ASC 958-810, consolidation should occur if both an economic interest between the organizations and control (such as ownership or a majority of common board members) exists. BASIS Charter Schools is the sole member/owner of BASIS DC. Based on the criteria stipulated in the pronouncement, management has determined that financial statement consolidation is appropriate. The financial statements of BASIS DC have been included in the separately issued financial statements of BASIS Charter Schools.

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Contracted Executive Salaries	\$ 273,526	\$ 147,888	\$ 105,318	\$ 20,320	\$ 352,314	\$ 220,227	\$ 108,852	\$ 23,235
Teachers' Salaries	2,758,632	2,758,632	-	-	2,821,788	2,821,788	-	-
Other Educational Professional Salaries	682,144	647,934	34,210	-	476,097	476,097	-	-
Clerical Salaries	628,111	530,255	87,758	10,098	637,908	548,505	80,126	9,277
Business Operation Salaries	159,737	87,124	69,383	3,230	168,763	89,327	76,412	3,024
Employee Benefits	483,683	448,196	31,872	3,615	449,768	419,400	26,782	3,586
Payroll Taxes	360,395	333,954	23,748	2,693	361,654	337,235	21,535	2,884
Staff Development Costs	71,535	71,535	-	-	45,392	42,667	2,725	-
Total Personnel, Salaries and Benefits	\$ 5,417,763	\$ 5,025,518	\$ 352,289	\$ 39,956	\$ 5,313,684	\$ 4,955,246	\$ 316,432	\$ 42,006
<u>Direct Student Costs:</u>								
Food Service	\$ 174,608	\$ 174,608	\$ -	\$ -	\$ 166,731	\$ 166,731	\$ -	\$ -
Instructional Supplies and Equipment	122,316	122,316	-	-	117,666	117,666	-	-
Contracted Instructional/Student Services	105,524	105,524	-	-	76,998	76,998	-	-
Extracurricular Supplies and Expenses	29,572	29,572	-	-	25,528	25,528	-	-
Depreciation - Textbooks	40,125	40,125	-	-	43,735	43,735	-	-
Other Student Costs	16,821	16,821	-	-	6,294	6,294	-	-
Total Direct Student Costs	\$ 488,966	\$ 488,966	\$ -	\$ -	\$ 436,952	\$ 436,952	\$ -	\$ -
<u>Occupancy Costs:</u>								
Rent	\$ 1,909,706	\$ 1,782,919	\$ 126,787	\$ -	\$ 1,711,507	\$ 1,608,774	\$ 102,733	\$ -
Building Insurance	26,858	25,075	1,783	-	26,894	25,280	1,614	-
Depreciation - Leaseholds	8,640	8,066	574	-	1,389	1,306	83	-
Janitorial Service/Supplies	116,357	108,632	7,725	-	117,018	109,994	7,024	-
Maintenance and Repairs	26,890	25,105	1,785	-	59,890	56,295	3,595	-
Utilities	108,049	100,875	7,174	-	100,957	94,897	6,060	-
Security	13,594	12,692	902	-	5,702	5,360	342	-
Total Occupancy Costs	\$ 2,210,094	\$ 2,063,364	\$ 146,730	\$ -	\$ 2,023,357	\$ 1,901,906	\$ 121,451	\$ -

(See Accompanying Notes and Auditor's Report)

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>				<u>June 30, 2017</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 10,037	\$ 8,241	\$ 586	\$ 1,210	\$ 15,736	\$ 13,607	\$ 869	\$ 1,260
Equipment Rental and Maintenance	33,061	30,866	2,195	-	26,020	24,458	1,562	-
Telecommunications	14,817	13,833	984	-	10,322	9,702	620	-
Internet DSL/Cable	37,163	34,696	2,467	-	42,659	40,098	2,561	-
Postage and Shipping	2,287	2,096	150	41	1,563	1,430	91	42
Travel	18,787	17,461	1,241	85	52,239	49,104	3,135	-
Recruitment	24,748	23,105	1,643	-	32,636	30,677	1,959	-
Marketing and Promotion	<u>13,100</u>	<u>13,100</u>	<u>-</u>	<u>-</u>	<u>24,048</u>	<u>24,048</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 154,000</u>	<u>\$ 143,398</u>	<u>\$ 9,266</u>	<u>\$ 1,336</u>	<u>\$ 205,223</u>	<u>\$ 193,124</u>	<u>\$ 10,797</u>	<u>\$ 1,302</u>
<u>General Expenses:</u>								
Insurance	\$ 35,420	\$ 33,068	\$ 2,352	\$ -	\$ 41,068	\$ 38,603	\$ 2,465	\$ -
Meeting and Event Expenses	18,738	1,867	133	16,738	1,720	782	49	889
Dues and Subscriptions	54,278	50,674	3,604	-	48,926	45,990	2,936	-
Accounting and Legal Services	31,467	3,250	28,217	-	32,853	8,325	24,528	-
Payroll Service Fee	10,472	9,704	690	78	10,428	9,724	621	83
Service Charges	4,680	-	1,589	3,091	7,817	-	3,864	3,953
Authorizer Fee	87,484	81,676	5,808	-	90,644	85,203	5,441	-
School Management Fee	1,012,837	945,594	67,243	-	992,839	933,244	59,595	-
Depreciation	68,902	64,328	4,574	-	69,680	65,497	4,183	-
Moving Expenses	3,799	-	3,799	-	-	-	-	-
Offices Expenses	<u>13,252</u>	<u>1,790</u>	<u>11,462</u>	<u>-</u>	<u>1,992</u>	<u>1,872</u>	<u>120</u>	<u>-</u>
Total General Expenses	<u>\$ 1,341,329</u>	<u>\$ 1,191,951</u>	<u>\$ 129,471</u>	<u>\$ 19,907</u>	<u>\$ 1,297,967</u>	<u>\$ 1,189,240</u>	<u>\$ 103,802</u>	<u>\$ 4,925</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 9,612,152</u>	<u>\$ 8,913,197</u>	<u>\$ 637,756</u>	<u>\$ 61,199</u>	<u>\$ 9,277,183</u>	<u>\$ 8,676,468</u>	<u>\$ 552,482</u>	<u>\$ 48,233</u>

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors
BDC, A Public Charter School, Inc.
410 8th Street, NW
Washington, DC 20004

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

We have audited, 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, the financial statements of BDC, A Public Charter School, Inc., (a nonprofit organization and affiliate of BASIS Charter Schools, Inc.), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BDC, A Public Charter School, Inc.'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 BDC, A Public Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of BDC, A Public Charter School, Inc.'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 the entity'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BDC, A Public Charter School, Inc.'s financial statements are free from 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 30, 2018

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no audit findings in the prior year.

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of BDC, A Public Charter School, Inc., were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of BDC, A Public Charter School, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

There were no findings in the current year.