

BDC, A PUBLIC CHARTER SCHOOL, INC.

(AN AFFILIATE OF BASIS SCHOOL, INC.)

(BASIS D.C.)

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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 School, Inc.) which comprise the statements of financial position as of June 30, 2017 and 2016, 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 School, Inc.) as of June 30, 2017 and 2016, 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 and schedules of average cost per student 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 29, 2017, 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 29, 2017

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS SCHOOL, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,485,045	\$ 1,461,589
Accounts Receivable	24,130	44,959
Grants Receivable	10,075	18,290
Promises Receivable	39,462	175
Due from Related Organizations	28,225	-
Prepaid Expenses	<u>33,761</u>	<u>27,196</u>
Total Current Assets	<u>\$ 1,620,698</u>	<u>\$ 1,552,209</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation and Amortization	<u>\$ 197,839</u>	<u>\$ 216,222</u>
Total Fixed Assets	<u>\$ 197,839</u>	<u>\$ 216,222</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>\$ 1,819,912</u>	<u>\$ 1,769,806</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 80,061	\$ 126,807
Accrued Wages Payable	292,843	193,867
Due to Related Organizations	108,811	50,961
Deferred Revenues	<u>2,732</u>	<u>5,075</u>
Total Current Liabilities	<u>\$ 484,447</u>	<u>\$ 376,710</u>
Total Liabilities	<u>\$ 484,447</u>	<u>\$ 376,710</u>
<u>Net Assets:</u>		
Unrestricted	\$ 1,073,191	\$ 1,149,871
Board Designated	100,000	74,892
Temporarily Restricted	<u>162,274</u>	<u>168,333</u>
Total Net Assets	<u>\$ 1,335,465</u>	<u>\$ 1,393,096</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,819,912</u>	<u>\$ 1,769,806</u>

(See Accompanying Notes and Auditor's Report)

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS SCHOOL, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017			June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 6,817,771	\$ -	\$ 6,817,771	\$ 6,607,385	\$ -	\$ 6,607,385
Per Pupil Funding - Facilities Allotment	1,865,028	-	1,865,028	1,928,523	-	1,928,523
Federal Entitlements and Grants	154,975	-	154,975	160,608	-	160,608
Donated Commodities	10,651	-	10,651	-	-	-
State Grants	45,865	-	45,865	47,029	-	47,029
Contributions	-	156,854	156,854	3,814	168,333	172,147
Student Activity Fees	170,071	-	170,071	183,144	-	183,144
Loss on Disposal of Fixed Assets	(1,663)	-	(1,663)	(1,132)	-	(1,132)
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	162,913	(162,913)	-	159,818	(159,818)	-
Total Revenues and Other Support	\$ 9,225,611	\$ (6,059)	\$ 9,219,552	\$ 9,089,189	\$ 8,515	\$ 9,097,704
<u>Expenses:</u>						
Educational Services	\$ 8,676,468	\$ -	\$ 8,676,468	\$ 7,595,864	\$ -	\$ 7,595,864
General and Administrative	552,482	-	552,482	385,600	-	385,600
Fundraising	48,233	-	48,233	33,437	-	33,437
Total Expenses	\$ 9,277,183	\$ -	\$ 9,277,183	\$ 8,014,901	\$ -	\$ 8,014,901
Changes in Net Assets	\$ (51,572)	\$ (6,059)	\$ (57,631)	\$ 1,074,288	\$ 8,515	\$ 1,082,803
Net Assets, Beginning of Year	1,224,763	168,333	1,393,096	150,475	159,818	310,293
Net Assets, End of Year	\$ 1,173,191	\$ 162,274	\$ 1,335,465	\$ 1,224,763	\$ 168,333	\$ 1,393,096

(See Accompanying Notes and Auditor's Report)

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS SCHOOL, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ (57,631)	\$ 1,082,803
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	114,804	116,060
Loss on Disposal of Fixed Assets	1,663	1,132
Accounts Receivable - (Increase)/Decrease	20,829	3,505
Grants Receivable - (Increase)/Decrease	8,215	65,677
Promises Receivable - (Increase)/Decrease	(39,287)	575
Due from Related Organizations - (Increase)/Decrease	(28,225)	-
Prepaid Expenses - (Increase)/Decrease	(6,565)	3,912
Deposits - (Increase)/Decrease	-	3,430
Accounts Payable - Increase/(Decrease)	(46,746)	53,020
Accrued Wages Payable - Increase/(Decrease)	98,976	(31,317)
Due to Related Organizations - Increase/(Decrease)	57,850	(7,675)
Deferred Revenues - Increase/(Decrease)	<u>(2,343)</u>	<u>(725)</u>
Net Cash Flows from Operating Activities	<u>\$ 121,540</u>	<u>\$ 1,290,397</u>
<u>Cash Flows from Investing Activities:</u>		
Proceeds on Sale of Fixed Assets	\$ -	\$ 875
Purchase of Fixed Assets	(46,868)	(86,277)
Purchase of Textbooks	(42,103)	(63,938)
Purchase of Leasehold Improvements	<u>(9,113)</u>	<u>(7,397)</u>
Net Cash Flows from Investing Activities	<u>\$ (98,084)</u>	<u>\$ (156,737)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 23,456	\$ 1,133,660
Cash and Cash Equivalents at Beginning of Year	<u>1,461,589</u>	<u>327,929</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,485,045</u>	<u>\$ 1,461,589</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2017 and 2016.
- b) No interest was paid during the years ended June 30, 2017 and 2016.

(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 Schools, Inc. (BSI) (an Arizona based nonprofit corporation). BSI 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.

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 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 income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and, 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, 2017 and 2016.

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 School is exempt from real property taxation. In addition, BASIS DC was granted sales tax exemption on April 23, 2014.

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia. 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.

Cash receipts in excess of costs incurred for grants are reflected as a deferred revenue until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets:

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the Charter School is required to report 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

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 \$100,000 and \$74,892, respectively, as of June 30, 2017 and 2016, were for the purpose of the Annual Teacher Fund.

Temporarily Restricted Net Assets

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, 2017</u>	<u>June 30, 2016</u>
Annual Teacher Fund	\$ <u>162,274</u>	\$ <u>168,333</u>
Total	\$ <u>162,274</u>	\$ <u>168,333</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 activities:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Annual Teacher Fund	\$ <u>162,913</u>	\$ <u>159,818</u>
Total Released	\$ <u>162,913</u>	\$ <u>159,818</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

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, 2017 or 2016.

(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, and 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.

(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 job descriptions 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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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 payable.

(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, 2017, 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, 2017, the statute of limitations for tax years 2013 through 2015 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 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, 2017, BDC, A Public Charter School, Inc. had no accruals for interest and/or penalties.

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Non-Interest Bearing Checking Accounts	\$ 1,485,045	\$ 1,461,589
Total	<u>\$ 1,485,045</u>	<u>\$ 1,461,589</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.

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

4. CASH AND CASH EQUIVALENTS: (Continued)

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, 2017 and 2016, \$1,248,525 and \$1,213,053, 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, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 12,593	\$ 19,470
Activity Fees	9,792	25,489
Reimbursable Expenses	<u>1,745</u>	<u>-</u>
Total	<u>\$ 24,130</u>	<u>\$ 44,959</u>
<u>Grants Receivable</u>		
Individuals with Disabilities Education Act (IDEA 611)	\$ 5,517	\$ 10,727
National School Lunch and Breakfast Program	3,993	7,563
Healthy Schools Act	<u>565</u>	<u>-</u>
Total	<u>\$ 10,075</u>	<u>\$ 18,290</u>

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 that are still 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, 2017 and 2016.

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

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

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. Balances at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Annual Teacher Fund	\$ 39,462	\$ -
Other - Unrestricted	<u>-</u>	<u>175</u>
Total Promises Receivable	<u>\$ 39,462</u>	<u>\$ 175</u>

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

6. FIXED ASSETS:

Furniture, equipment and textbooks 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. 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, 2017 and 2016 was \$114,804 and \$116,060, 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, 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	244,665	179,891	64,774
Computers	3 Years	149,427	86,275	63,152
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>

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

6. FIXED ASSETS: (Continued)

<u>June 30, 2016</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Textbooks	3 Years	\$ 211,861	\$ 153,404	\$ 58,457
Furniture and Equipment	3-5 Years	225,290	144,263	81,027
Computers	3 Years	121,935	52,224	69,711
Leasehold Improvements	10 Years	<u>7,397</u>	<u>370</u>	<u>7,027</u>
Total		<u>\$ 566,483</u>	<u>\$ 350,261</u>	<u>\$ 216,222</u>

7. DUE TO/FROM RELATED ORGANIZATIONS:

As of June 30, 2017 and 2016, amounts due and payable to related organizations are as follow:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
BASIS Educational Group	\$ 108,811	\$ 47,348
BASIS Schools	<u>-</u>	<u>3,613</u>
Total	<u>\$ 108,811</u>	<u>\$ 50,961</u>

As of June 30, 2017, an amount of \$28,225 was receivable from Basis Schools and is reflected in the statements of financial position as a current asset.

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. 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 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, 2017 and 2016 the Charter School incurred \$90,644 and \$89,267, respectively, in administrative fees.

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

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

The charter contract provides that BASIS DC may initially 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, 2017, was not permitted to be greater than 711 students. Audit enrollment for the 2016/2017 year was 597 students and for the 2015/2016 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, 2017, the per-student rate ranged from \$9,682 to \$11,812 for the educational allotment and \$3,124 for the facility allotment. For the year ended June 30, 2016, the per-student rate ranged from \$9,492 to \$11,580 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, 2017 and 2016 was as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Grade Level 5 th - 11 th Grade	\$ 6,336,094	\$ 6,139,615
Special Education	351,939	318,189
At Risk Students	106,017	130,977
English as a Second Language	23,721	18,604
Facilities Allowance	<u>1,865,028</u>	<u>1,928,523</u>
Total	<u>\$ 8,682,799</u>	<u>\$ 8,535,908</u>

10. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2017 and 2016, BASIS DC participated in multiple federal award programs. Federal revenues recognized during the years ended June 30, 2017 and 2016 was as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Individuals with Disabilities Education Act (IDEA 611)	\$ 90,769	\$ 84,934
Elementary and Secondary Education (Title II)	36,117	32,281
National School Lunch and Breakfast Program	28,089	43,393
Donated Commodities	<u>10,651</u>	<u>-</u>
Total	<u>\$ 165,626</u>	<u>\$ 160,608</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.

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

10. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

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.

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

BASIS DC entered into a lease agreement on February 29, 2012, with BASIS School 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, 2016, were \$140,580. 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, 2017 and 2016 was \$1,711,507 and \$1,129,685, respectively.

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>
2018	\$ 1,909,708
2019	1,938,354
2020	1,967,429
2021	1,996,940
2022	<u>2,026,894</u>
Total	<u>\$ 9,839,325</u>

Photocopier Lease

The Charter School entered into an operating lease with Konica Minolta Business, on July 31, 2012, for the rental of a three BIZHUB 751 Photocopiers. This lease calls for twenty (20) quarterly payments of \$1,145, commencing on July 31, 2012. Rental expense for the years ending June 30, 2017 and 2016 was \$4,582.

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

11. COMMITMENTS: (Continued)

Photocopier Lease (Continued)

Future minimum payment due under this lease is as follows:

<u>Year Ended June 30,</u>	
2018	\$ <u>382</u>
Total	\$ <u><u>382</u></u>

Photocopier Lease

The Charter School entered into an operating lease with United Business Technologies, on April 2, 2015, for the rental of a three Cannon Image Runner Advance 8295 photocopier. This lease calls for thirty-six (36) monthly payments of \$582. Rental expense for the years ending June 30, 2017 and 2016 was \$6,988. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2018	\$ <u>5,241</u>
Total	\$ <u><u>5,241</u></u>

12. GUARANTEE OF INDEBTEDNESS:

Industrial Development Authority

On January 1, 2016, BASIS Schools refinanced existing debt through the issue of Education Facility Revenue Bonds (BASIS 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 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 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 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 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, 2017, BASIS DC incurred expenses in the amount of \$992,839 for management fees and \$5,236,640 for leased employee wages and related benefits. During the year ended June 30, 2016, BASIS DC incurred expenses in the amount of \$976,962 for management fees and \$4,713,333 for leased employee wages and related benefits. As of June 30, 2017 and 2016, \$25,603 and \$9,727, respectively, was payable to BEG for management fees. In addition, \$292,843 and \$193,867, respectively, was payable to BEG for accrued leased employee wages and benefits and has been reflected as Accrued Wages Payable in the financial statements at June 30, 2017 and 2016.

BASIS 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.

Board of Directors

The Board Chairperson of BASIS DC is also the Board Chairperson of BASIS School. In addition, two of the BASIS DC board members serve together in a business capacity with a separate and unrelated not-for-profit 501(c)(3) corporation.

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.

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, 2017 and 2016, the Boosters organization provided a donation to BASIS DC in the amount of \$38,000 and \$41,000, respectively, to be deposited and utilized in the Annual Teacher Fund.

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

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, 2017 and 2016, 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.

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.

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

17. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 29, 2017, 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.

Enrollment

Anticipated enrollment for the 2017/2018 school year is five hundred and ninety-five (595) students. These enrollment numbers are down from the current audit enrollment number of five hundred and ninety-seven (597) students during the 2016/2017 school year.

Additional Funding - Washington Teacher's Union Contract

On October 1, 2017, the City Council approved the Washington Teacher's Union Contract. This contract will result in additional funds to both DC Public Schools and DC Public Charter Schools through an increase in the Uniform per Student Funding Formula. These additional funds result in a 5.9% increase above the original per pupil funding amounts. The Charter School will receive an additional one-time payment during the year ended June 30, 2018 to reflect the increase to the 2017 fiscal year per pupil funding base rate. The amount paid to the Charter School will be calculated based on the final enrollment audit count, supplemental payments and extended school year funding for the year ended June 30, 2017. The 2017 fiscal year base rate will increase by an amount of \$203 over the original base rate of \$9,682 to a revised base rate of \$9,885.

18. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Rent	\$ 1,711,507	\$ 1,129,685
Insurance - Building	26,894	46,040
Janitorial Services/Supplies	117,018	117,972
Maintenance and Repairs	59,890	82,587
Utilities	100,957	96,430
Security	5,702	5,912
Depreciation - Leaseholds	<u>1,389</u>	<u>-</u>
Total	<u>\$ 2,023,357</u>	<u>\$ 1,478,626</u>

19. FUNDRAISING:

During the years ended June 30, 2017 and 2016, expenses incurred for the purpose of fundraising were \$48,233 and \$33,437, respectively.

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

20. ADVERTISING:

Advertising costs are expensed when incurred. Advertising activities were conducted for the purpose of promoting open enrollment to the school and to provide outreach to the community. Direct advertising costs in the amount of \$24,048 and \$14,673 were incurred during the years ended June 30, 2017 and 2016, respectively.

21. 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 Principal. 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.

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%.

22. 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 School. 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 School 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 School.

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS SCHOOL, INC.
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017				June 30, 2016			
	<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>Personnel, Salaries and Benefits:</u>								
Contracted Executive Salaries	\$ 352,314	\$ 220,227	\$ 108,852	\$ 23,235	\$ 266,611	\$ 162,377	\$ 90,994	\$ 13,240
Teachers' Salaries	2,821,788	2,821,788	-	-	2,782,035	2,782,035	-	-
Other Educational Professional Salaries	476,097	476,097	-	-	165,787	165,787	-	-
Clerical Salaries	637,908	548,505	80,126	9,277	634,447	585,572	43,333	5,542
Business Operation Salaries	168,763	89,327	76,412	3,024	135,535	83,232	49,563	2,740
Employee Benefits	449,768	419,400	26,782	3,586	407,231	386,237	18,794	2,200
Payroll Taxes	361,654	337,235	21,535	2,884	321,687	305,102	14,847	1,738
Temporary Staff	-	-	-	-	345	345	-	-
Staff Development Costs	45,392	42,667	2,725	-	31,667	27,210	4,457	-
Total Personnel, Salaries and Benefits	<u>\$ 5,313,684</u>	<u>\$ 4,955,246</u>	<u>\$ 316,432</u>	<u>\$ 42,006</u>	<u>\$ 4,745,345</u>	<u>\$ 4,497,897</u>	<u>\$ 221,988</u>	<u>\$ 25,460</u>
<u>Direct Student Costs:</u>								
Food Service	\$ 166,731	\$ 166,731	\$ -	\$ -	\$ 147,420	\$ 147,420	\$ -	\$ -
Instructional Supplies and Equipment	117,666	117,666	-	-	69,433	69,433	-	-
Contracted Instructional/Student Services	76,998	76,998	-	-	77,003	77,003	-	-
Extracurricular Supplies and Expenses	25,528	25,528	-	-	40,545	40,545	-	-
Depreciation - Textbooks	43,735	43,735	-	-	48,564	48,564	-	-
Other Student Costs	6,294	6,294	-	-	-	-	-	-
Total Direct Student Costs	<u>\$ 436,952</u>	<u>\$ 436,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,965</u>	<u>\$ 382,965</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 1,711,507	\$ 1,608,774	\$ 102,733	\$ -	\$ 1,129,685	\$ 1,077,264	\$ 52,421	\$ -
Building Insurance	26,894	25,280	1,614	-	46,040	43,904	2,136	-
Depreciation - Leaseholds	1,389	1,306	83	-	-	-	-	-
Janitorial Service/Supplies	117,018	109,994	7,024	-	117,972	112,498	5,474	-
Maintenance and Repairs	59,890	56,295	3,595	-	82,587	78,755	3,832	-
Utilities	100,957	94,897	6,060	-	96,430	91,955	4,475	-
Security	5,702	5,360	342	-	5,912	5,638	274	-
Total Occupancy Costs	<u>\$ 2,023,357</u>	<u>\$ 1,901,906</u>	<u>\$ 121,451</u>	<u>\$ -</u>	<u>\$ 1,478,626</u>	<u>\$ 1,410,014</u>	<u>\$ 68,612</u>	<u>\$ -</u>

(See Accompanying Notes and Auditor's Report)

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS SCHOOL, INC.
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>				<u>June 30, 2016</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	\$ 15,736	\$ 13,607	\$ 869	\$ 1,260	\$ 32,320	\$ 29,488	\$ 1,435	\$ 1,397
Equipment Rental and Maintenance	26,020	24,458	1,562	-	21,363	20,372	991	-
Telecommunications	10,322	9,702	620	-	6,487	6,185	302	-
Internet DSL/Cable	42,659	40,098	2,561	-	43,409	41,395	2,014	-
Postage and Shipping	1,563	1,430	91	42	1,456	1,388	68	-
Travel	52,239	49,104	3,135	-	1,340	1,272	61	7
Recruitment	32,636	30,677	1,959	-	25,572	24,386	1,186	-
Marketing and Promotion	<u>24,048</u>	<u>24,048</u>	<u>-</u>	<u>-</u>	<u>14,673</u>	<u>14,673</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 205,223</u>	<u>\$ 193,124</u>	<u>\$ 10,797</u>	<u>\$ 1,302</u>	<u>\$ 146,620</u>	<u>\$ 139,159</u>	<u>\$ 6,057</u>	<u>\$ 1,404</u>
<u>General Expenses:</u>								
Insurance	\$ 41,068	\$ 38,603	\$ 2,465	\$ -	\$ 25,075	\$ 23,911	\$ 1,164	\$ -
Meeting and Event Expenses	1,720	782	49	889	5,621	5,331	260	30
Licenses and Permits	-	-	-	-	1,098	1,047	51	-
Dues and Subscriptions	48,926	45,990	2,936	-	34,110	32,528	1,582	-
Accounting and Legal Services	32,853	8,325	24,528	-	35,711	6,600	29,111	-
Consultants	-	-	-	-	8,604	4,604	-	4,000
Payroll Service Fee	10,428	9,724	621	83	9,247	8,769	428	50
Service Charges	7,817	-	3,864	3,953	6,138	-	3,645	2,493
Authorizer Fee	90,644	85,203	5,441	-	89,267	85,125	4,142	-
School Management Fee	992,839	933,244	59,595	-	976,962	931,628	45,334	-
Depreciation	69,680	65,497	4,183	-	67,496	64,364	3,132	-
Offices Expenses	<u>1,992</u>	<u>1,872</u>	<u>120</u>	<u>-</u>	<u>2,016</u>	<u>1,922</u>	<u>94</u>	<u>-</u>
Total General Expenses	<u>\$ 1,297,967</u>	<u>\$ 1,189,240</u>	<u>\$ 103,802</u>	<u>\$ 4,925</u>	<u>\$ 1,261,345</u>	<u>\$ 1,165,829</u>	<u>\$ 88,943</u>	<u>\$ 6,573</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 9,277,183</u>	<u>\$ 8,676,468</u>	<u>\$ 552,482</u>	<u>\$ 48,233</u>	<u>\$ 8,014,901</u>	<u>\$ 7,595,864</u>	<u>\$ 385,600</u>	<u>\$ 33,437</u>

(See Accompanying Notes and Auditor's Report)

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS SCHOOL, INC.
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

June 30, 2017

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 6,774,562	\$ 11,348
Occupancy Cost	2,023,357	3,389
General and Administrative	431,031	722
Fundraising	<u>48,233</u>	<u>81</u>
Total	<u>\$ 9,277,183</u>	<u>\$ 15,540</u>

The above is the average per student cost for the year ended June 30, 2017, and is based on a full time equivalent (FTE) enrollment of 597 students.

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 6,185,850	\$ 10,362
Occupancy Cost	1,478,626	2,477
General and Administrative	316,988	530
Fundraising	<u>33,437</u>	<u>56</u>
Total	<u>\$ 8,014,901</u>	<u>\$ 13,425</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 597 students.

(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 School, Inc.), which comprise the statement of financial position as of June 30, 2017, 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 29, 2017.

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.

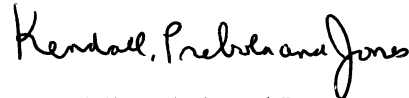
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 29, 2017

BDC, A PUBLIC CHARTER SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There were no audit findings in the prior year.

BDC, A PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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.