

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, 2020 AND 2019

KENDALL, PREBOLA AND JONES

Certified Public Accountants

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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, 2020 and 2019, and the related statements of activities, functional expenses, 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, 2020 and 2019, 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.

Other Information

We have audited the financial statements of BDC, A Public Charter School, Inc., as of and for the years ended June 30, 2020 and 2019, and our report thereon dated November 30, 2020, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, 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 effectiveness of BDC, A Public Charter School, Inc.'s 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, 2020

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 2,741,560	\$ 2,277,071
Accounts Receivable	57,126	33,206
Promises Receivable	80,332	48,523
Due from Related Parties	20,072	366
Prepaid Expenses	<u>34,947</u>	<u>13,628</u>
Total Current Assets	<u>\$ 2,934,037</u>	<u>\$ 2,372,794</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation and Amortization	<u>\$ 375,339</u>	<u>\$ 418,529</u>
Total Fixed Assets	<u>\$ 375,339</u>	<u>\$ 418,529</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>\$ 3,310,751</u>	<u>\$ 2,792,698</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 123,756	\$ 168,181
Accrued Wages Payable	293,515	288,776
Accrued Vacation	30,651	16,546
Due to Related Parties	<u>67,112</u>	<u>115,600</u>
Total Current Liabilities	<u>\$ 515,034</u>	<u>\$ 589,103</u>
Total Liabilities	<u>\$ 515,034</u>	<u>\$ 589,103</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 2,538,495	\$ 1,967,172
Board Designated	-	25,000
With Donor Restrictions	<u>257,222</u>	<u>211,423</u>
Total Net Assets	<u>\$ 2,795,717</u>	<u>\$ 2,203,595</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,310,751</u>	<u>\$ 2,792,698</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, 2020 AND 2019

	June 30, 2020			June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 8,487,791	\$ -	\$ 8,487,791	\$ 8,058,292	\$ -	\$ 8,058,292
Per Pupil Funding - Facilities Allowance	2,134,400	-	2,134,400	2,075,268	-	2,075,268
Contributions - Federal Awards	137,242	-	137,242	157,947	-	157,947
Donated Commodities	8,895	-	8,895	8,241	-	8,241
Contributions - State Awards	4,484	-	4,484	5,320	-	5,320
Contributions	8,486	229,625	238,111	13,198	187,842	201,040
Student Activity Fees	160,212	-	160,212	291,096	-	291,096
Rental of Classroom Facilities	9,950	-	9,950	9,843	-	9,843
Gain /(Loss) on Disposal of Fixed Assets	-	-	-	98	-	98
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	183,826	(183,826)	-	176,847	(176,847)	-
Total Revenues and Other Support	<u>\$ 11,135,286</u>	<u>\$ 45,799</u>	<u>\$ 11,181,085</u>	<u>\$ 10,796,150</u>	<u>\$ 10,995</u>	<u>\$ 10,807,145</u>
<u>Expenses:</u>						
Educational Services	\$ 9,939,074	\$ -	\$ 9,939,074	\$ 9,561,668	\$ -	\$ 9,561,668
General and Administrative	606,726	-	606,726	606,341	-	606,341
Fundraising	43,163	-	43,163	37,793	-	37,793
Total Expenses	<u>\$ 10,588,963</u>	<u>\$ -</u>	<u>\$ 10,588,963</u>	<u>\$ 10,205,802</u>	<u>\$ -</u>	<u>\$ 10,205,802</u>
Changes in Net Assets	\$ 546,323	\$ 45,799	\$ 592,122	\$ 590,348	\$ 10,995	\$ 601,343
Net Assets, Beginning of Year	1,992,172	211,423	2,203,595	1,401,824	200,428	1,602,252
Net Assets, End of Year	<u>\$ 2,538,495</u>	<u>\$ 257,222</u>	<u>\$ 2,795,717</u>	<u>\$ 1,992,172</u>	<u>\$ 211,423</u>	<u>\$ 2,203,595</u>

(See Accompanying Notes and Auditor's Report)

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>				<u>June 30, 2019</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>Personnel, Salaries and Benefits:</u>								
Contracted Executive Salaries	\$ 258,445	\$ 157,891	\$ 85,988	\$ 14,566	\$ 235,095	\$ 140,827	\$ 80,811	\$ 13,457
Teachers' Salaries	3,029,201	3,029,201	-	-	3,095,898	3,095,898	-	-
Other Educational Professional Salaries	725,041	683,291	41,750	-	560,288	518,106	42,182	-
Clerical Salaries	883,313	816,506	56,755	10,052	779,954	715,329	61,881	2,744
Business Operation Salaries	266,841	177,058	86,128	3,655	219,971	141,166	72,567	6,238
Employee Benefits	559,485	527,094	29,327	3,064	535,641	504,991	28,193	2,457
Payroll Taxes	457,798	431,295	23,996	2,507	407,109	383,813	21,428	1,868
Staff Development Costs	51,511	48,796	2,715	-	57,522	54,480	3,042	-
Total Personnel, Salaries and Benefits	\$ 6,231,635	\$ 5,871,132	\$ 326,659	\$ 33,844	\$ 5,891,478	\$ 5,554,610	\$ 310,104	\$ 26,764
<u>Direct Student Costs:</u>								
Food Service	\$ 67,228	\$ 67,228	\$ -	\$ -	\$ 99,917	\$ 99,917	\$ -	\$ -
Instructional Supplies and Equipment	32,608	32,608	-	-	68,287	68,287	-	-
Contracted Instructional/Student Services	145,250	145,250	-	-	135,287	135,287	-	-
Extracurricular Supplies and Expenses	48,974	48,974	-	-	54,099	54,099	-	-
Depreciation - Textbooks	20,498	20,498	-	-	27,772	27,772	-	-
Other Student Costs	24,352	24,352	-	-	10,944	10,944	-	-
Total Direct Student Costs	\$ 338,910	\$ 338,910	\$ -	\$ -	\$ 396,306	\$ 396,306	\$ -	\$ -
<u>Occupancy Costs:</u>								
Rent	\$ 1,955,175	\$ 1,845,881	\$ 109,294	\$ -	\$ 1,809,222	\$ 1,717,133	\$ 92,089	\$ -
Building Insurance	34,350	32,430	1,920	-	32,715	31,050	1,665	-
Depreciation - Leaseholds	13,632	12,870	762	-	13,632	12,938	694	-
Janitorial Service/Supplies	144,178	136,118	8,060	-	108,422	102,903	5,519	-
Maintenance and Repairs	8,423	7,952	471	-	19,304	18,321	983	-
Utilities	102,834	97,086	5,748	-	137,915	130,895	7,020	-
Security	4,449	4,200	249	-	2,438	2,314	124	-
Total Occupancy Costs	\$ 2,263,041	\$ 2,136,537	\$ 126,504	\$ -	\$ 2,123,648	\$ 2,015,554	\$ 108,094	\$ -

(See Accompanying Notes and Auditor's Report)

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>				<u>June 30, 2019</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	\$ 23,741	\$ 21,830	\$ 1,291	\$ 620	\$ 33,356	\$ 31,053	\$ 1,663	\$ 640
Equipment Rental and Maintenance	19,961	18,845	1,116	-	36,220	34,377	1,843	-
Telecommunications	4,633	4,374	259	-	10,288	9,764	524	-
Internet DSL/Cable	20,759	19,599	1,160	-	16,176	15,353	823	-
Postage and Shipping	3,915	3,690	218	7	1,422	1,346	72	4
Travel	24,051	22,669	1,342	40	41,530	39,316	2,106	108
Recruitment	32,148	30,351	1,797	-	25,902	24,584	1,318	-
Marketing and Promotion	12,201	12,201	-	-	22,690	22,690	-	-
Total Office Expenses	<u>\$ 141,409</u>	<u>\$ 133,559</u>	<u>\$ 7,183</u>	<u>\$ 667</u>	<u>\$ 187,584</u>	<u>\$ 178,483</u>	<u>\$ 8,349</u>	<u>\$ 752</u>
<u>General Expenses:</u>								
Insurance	\$ 26,153	\$ 24,691	\$ 1,462	\$ -	\$ 21,160	\$ 20,083	\$ 1,077	\$ -
Meeting and Event Expenses	2,488	-	-	2,488	4,185	-	-	4,185
Dues and Subscriptions	73,974	69,839	4,135	-	54,240	51,479	2,761	-
Accounting and Legal Services	32,594	-	32,594	-	46,055	-	46,055	-
Payroll Service Fee	11,677	11,006	651	20	11,102	10,510	563	29
Service Charges	8,548	-	2,404	6,144	8,825	-	2,762	6,063
Authorizer Fee	98,397	92,897	5,500	-	95,365	90,511	4,854	-
School Management Fee	1,282,023	1,210,358	71,665	-	1,242,447	1,179,206	63,241	-
School Development Fee	25,000	-	25,000	-	55,000	-	55,000	-
Depreciation	51,686	48,797	2,889	-	66,107	62,743	3,364	-
Offices Expenses	1,428	1,348	80	-	2,300	2,183	117	-
Total General Expenses	<u>\$ 1,613,968</u>	<u>\$ 1,458,936</u>	<u>\$ 146,380</u>	<u>\$ 8,652</u>	<u>\$ 1,606,786</u>	<u>\$ 1,416,715</u>	<u>\$ 179,794</u>	<u>\$ 10,277</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 10,588,963</u>	<u>\$ 9,939,074</u>	<u>\$ 606,726</u>	<u>\$ 43,163</u>	<u>\$ 10,205,802</u>	<u>\$ 9,561,668</u>	<u>\$ 606,341</u>	<u>\$ 37,793</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, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 592,122	\$ 601,343
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	85,816	107,511
(Gain)/Loss on Disposal of Fixed Assets	-	(98)
Accounts Receivable - (Increase)/Decrease	(23,920)	33,450
Promises Receivable - (Increase)/Decrease	(31,809)	37,052
Due from Related Parties - (Increase)/Decrease	(19,706)	112,104
Prepaid Expenses - (Increase)/Decrease	(21,319)	(1,743)
Accounts Payable - Increase/(Decrease)	(44,425)	55,337
Accrued Wages Payable - Increase/(Decrease)	4,739	1,567
Accrued Vacation - Increase/(Decrease)	14,105	(4,593)
Due to Related Parties - Increase/(Decrease)	(48,488)	(193,504)
Deferred Revenues - Increase/(Decrease)	<u>-</u>	<u>(11,837)</u>
Net Cash Flows from Operating Activities	<u>\$ 507,115</u>	<u>\$ 736,589</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (22,031)	\$ (33,972)
Purchase of Textbooks	(20,595)	(11,340)
Proceeds on Disposal of Fixed Assets	<u>-</u>	<u>1,474</u>
Net Cash Flows from Investing Activities	<u>\$ (42,626)</u>	<u>\$ (43,838)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 464,489	\$ 692,751
Cash and Cash Equivalents at Beginning of Year	<u>2,277,071</u>	<u>1,584,320</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,741,560</u>	<u>\$ 2,277,071</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2020 and 2019.
- b) No interest was paid during the years ended June 30, 2020 and 2019.

(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 implemented the new accounting and reporting standards surrounding contributions. These new standards affect financial statement reporting and disclosures included within the body of the financial statements. The new standards promulgate clarity for distinguishing between exchange transactions and those of a non-reciprocal arrangement leading to a contribution, while providing rules and guidance on what constitutes an underlying condition that may be associated with a contribution.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

Conditional contributions are determined on the basis of whether or not an underlying agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If both exist, then the contribution is conditional. Barriers include and are not limited to:

- Measurable performance-related barrier(s) (e.g., specified level of service, specific output, or outcome, matching requirement);
- Extent to which a stipulation limits discretion on conduct of activity (e.g., qualifying expenses, specific protocols); and
- Extent to which a stipulation is related to the purpose of the agreement (excludes administrative or trivial).

Conditional contributions are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met. Therefore, any respective advance payments received are recorded as a refundable advance and subsequently recognized as contribution revenue when the underlying conditions are fulfilled.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history and type of contribution.

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 deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

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. 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).

Under IRC Section 512(a)(7) (the parking and transit tax), certain transportation benefits were subject to unrelated business income tax. On December 20, 2019 the Taxpayer Certainty and Disaster Tax Relief Act of 2019 provided certain technical corrections and amendments, among them the repeal of the parking and transit tax. During the year ended June 30, 2019, BASIS DC reimbursed BASIS Educational Group \$13,015 for income tax on mass transportation benefits.

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:

The Charter School receives grants from federal and state governmental agencies for the purpose of providing a social benefit to the general public. Pursuant to the implementation of the accounting standard ASU No. 2018-08, government grants are classified as conditional contributions when the award includes both a barrier that must be overcome for the Charter School to be entitled to the assets transferred, and a right of return for the transferred assets exists. Contribution income is recognized based on the total costs incurred. Promises receivable are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by the granting agency. Funds received in advance, and those that are unexpended at year-end, are reflected as a refundable advance.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets:

The Charter School reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Charter School's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

From time to time, the Board of Directors designates a portion of the Charter School's unrestricted net assets for purposes that are of importance to the organization. Net assets in the total amount \$25,000 were designated by the Board of Directors during the year ended June 30, 2019, for the purpose of the Annual Teacher Fund.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Charter School must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions were available at year end for the following purposes:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Annual Teacher Fund	\$ 252,222	\$ 211,423
Water Dispensers	<u>5,000</u>	<u>-</u>
Total Net Assets Available	<u>\$ 257,222</u>	<u>\$ 211,423</u>

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Annual Teacher Fund	\$ 182,826	\$ 176,847
Athletic Department	<u>1,000</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>\$ 183,826</u>	<u>\$ 176,847</u>

(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 in the period they are received, except for donated fixed assets, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life. There were no donated services or materials recognized in the financial statements during the years ended June 30, 2020 and 2019.

(g) Basic Programs:

BASIS Washington DC opened in 2012 as the first BASIS Charter School outside of Arizona and serves over 600 students in grades 5-12 traveling from all eight Wards.

The school operates on the principle that math, science, and the humanities are not disparate but complementary ways of communicating and the belief that any student can achieve at high levels, and that any student is capable of becoming someone who loves to learn.

The BASIS high school curriculum is consistently ranked among the top high school programs in the country by *U.S. News & World Report* and *The Washington Post*, among other publications. BASIS DC is annually ranked as a regional top performer on the Partnership for Assessment of Readiness in College and Careers (PARCC) test.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Charter School's mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

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

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. The Charter School has established a method to specifically identify and record those costs that are considered to be direct student expenses. Such program expenses consist of contracted student instruction, food service, student assessment materials, field trips, supplies, and textbooks.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for leased employee salaries, payroll taxes and employee benefit plans are allocated based on estimated amounts of time spent on particular activities.
- Costs of professional fees, legal and accounting, insurance, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Certain staff expenses including staff development, staff recruiting, and staff events are generally allocated between general and administrative and program functions based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Shared costs (office supplies, telephone, equipment rental, postage and computer expense) are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) 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.

(j) 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.

(k) 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.

(l) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or to total net assets from the prior years.

(m) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2018-08 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" in the current year, applying the changes retrospectively.

ASU 2018-08 was issued to clarify and improve the guidance for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional.

This standard amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of release from the obligation stipulating the donor has the right to be released from its obligation to transfer assets or to reduce, settle, or cancel liabilities. This standard also provides additional guidance to determine whether grants and contracts from the federal, state, and local governments should be classified as a contribution or an exchange transaction.

The changes had no effect on net assets at July 1, 2019.

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

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Charter School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

The Board of Directors has designated certain assets for the purpose of the Annual Teacher Fund. Because of these board designations, these funds are not considered to be available for general expenditures within the next year; however, the Board of Directors could make them available if necessary.

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 2,741,560	\$ 2,277,071
Accounts Receivable	57,126	33,206
Promises Receivable	80,332	48,523
Due from Related Parties	<u>20,072</u>	<u>366</u>
Total Financial Assets	<u>\$ 2,899,090</u>	<u>\$ 2,359,166</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Internal Board Designations:		
Annual Teacher Fund	<u>\$ -</u>	<u>\$ 25,000</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 2,899,090</u>	<u>\$ 2,334,166</u>

As part of the Charter School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

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

4. 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, 2020, 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, 2020, the statute of limitations for tax years 2016 through 2018 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, 2020, BDC, A Public Charter School, Inc., had no accruals for interest and/or penalties.

5. CASH AND CASH EQUIVALENTS:

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Non-Interest Bearing Checking Accounts	\$ <u>2,741,560</u>	\$ <u>2,277,071</u>
Total	\$ <u>2,741,560</u>	\$ <u>2,277,071</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 banking institution. 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, 2020 and 2019, \$2,522,049 and \$2,029,653, 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. 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.

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

6. ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable

Accounts receivable are current and considered to be fully collectible by management. Balances at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Per Pupil Funding	\$ 34,656	\$ 11,756
Activity Fees	22,009	16,664
Other	<u>461</u>	<u>4,786</u>
Total	<u>\$ 57,126</u>	<u>\$ 33,206</u>

The Charter School's accounts 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 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 receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2020 and 2019.

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. 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. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. 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.

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

6. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable (Continued)

Promises receivable at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Annual Teacher Fund	\$ 44,470	\$ -
Elementary and Secondary Education (Title II)	12,500	30
Individuals with Disabilities Education Act (IDEA 611)	10,134	40,252
Donated Commodities	8,895	8,241
National School Lunch and Breakfast Programs	3,818	-
Healthy Schools Act	<u>515</u>	<u>-</u>
Total	<u>\$ 80,332</u>	<u>\$ 48,523</u>

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

Concentrations of credit risk with respect to promises receivable are limited due to the number of contributions comprising the Charter School's contributor base and their dispersion across different industries and donor backgrounds. However, as of June 30, 2020, fifty-five (55%) of the Charter School's promises receivable was due from one organization. The Charter School does not believe they are at any significant credit risk related to these promises made based on historical collection and the organizational relationship with its donors.

The Charter School received the following conditional promises to give that are not recognized as assets in the financial statements:

	<u>June 30, 2020</u>
Individuals with Disabilities Education Act (IDEA 611)	\$ 9,246
Elementary and Secondary Education (Title II)	<u>162</u>
Total	<u>\$ 9,408</u>

7. 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

7. 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, 2020 and 2019 was \$85,816 and \$107,511, 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, 2020</u>				
	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Textbooks	3 Years	\$ 272,681	\$ 251,399	\$ 21,282
Furniture and Equipment	3-5 Years	514,989	440,439	74,550
Software	3 Years	13,453	12,324	1,129
Leasehold Improvements	10-25 Years	<u>316,043</u>	<u>37,665</u>	<u>278,378</u>
Total		<u>\$ 1,117,166</u>	<u>\$ 741,827</u>	<u>\$ 375,339</u>
<u>June 30, 2019</u>				
	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Textbooks	3 Years	\$ 252,086	\$ 230,902	\$ 21,184
Furniture and Equipment	3-5 Years	492,958	393,237	99,721
Software	3 Years	13,453	7,840	5,613
Leasehold Improvements	10-25 Years	<u>316,043</u>	<u>24,032</u>	<u>292,011</u>
Total		<u>\$ 1,074,540</u>	<u>\$ 656,011</u>	<u>\$ 418,529</u>

The federal or state government retains a reversionary interest in equipment funded by federal or state monies, respectively, for individual items greater than \$5,000. Sale, trade-in or other disposition of such equipment generally requires notification of the appropriate federal or state authorities.

8. DUE TO/FROM RELATED PARTIES:

As of June 30, 2020 and 2019, amounts due and payable to related parties are as follow:

	<u>June 30, 2020 Due From/(To)</u>	<u>June 30, 2019 Due From/(To)</u>
BASIS Educational Group	\$ (66,512)	\$ (67,033)
BASIS Charter Schools, Inc.	19,801	(48,567)
BASIS Texas	(600)	-
Other BASIS Charter Schools	<u>271</u>	<u>366</u>
Total	<u>\$ (47,040)</u>	<u>\$ (115,234)</u>

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

9. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board (DCPCSB) to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board 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 (.9% for the 19/20 and 18/19 school years) 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, 2020 and 2019 the Charter School incurred \$98,397 and \$95,365, 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, 2020, was not permitted to be greater than 711 students. Audit enrollment for the 2019/2020 year was 640 students and for the 2018/2019 year was 636 students.

10. 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, 2020, the per-student rate ranged from \$10,980 to \$13,396 for the educational allotment and \$3,335 for the facility allotment. For the year ended June 30, 2019, the per-student rate ranged from \$10,658 to \$13,003 for the educational allotment and \$3,263 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, 2020 and 2019 was as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Grade Level 5 th - 12 th Grade	\$ 7,771,424	\$ 7,485,967
Special Education	489,068	422,070
At Risk Students	96,353	124,143
English as a Second Language	32,281	26,112
Facilities Allowance	2,134,400	2,075,268
One Time Payment	<u>98,665</u>	<u>-</u>
Total	<u>\$ 10,622,191</u>	<u>\$ 10,133,560</u>

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

11. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2020 and 2019, BASIS DC participated in the following federal award programs:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Individuals with Disabilities Education Act (IDEA 611)	\$ 86,780	\$ 97,139
Elementary and Secondary Education (Title II)	30,350	26,856
National School Lunch and Breakfast Programs	20,112	32,752
Donated Commodities	8,895	8,241
Improving School Climate	<u>-</u>	<u>1,200</u>
Total	<u>\$ 146,137</u>	<u>\$ 166,188</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, but rather, 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.

12. 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, 2019, were \$162,081. 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, 2020 and 2019 was \$1,944,972 and \$1,800,198, respectively.

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

12. COMMITMENTS:

Office Lease - 410-412 Eighth Street, NW

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>
2021	\$ 1,974,147
2022	2,003,759
2023	2,033,815
2024	2,064,322
2025	<u>2,095,287</u>
Total	<u>\$ 10,171,330</u>

13. 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

14. RELATED ORGANIZATION 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.

Office of the Executive Director

BASIS Charter Schools, BASIS Baton Rouge, and BASIS DC share an Executive Director and Assistant to the Director. During the year ended June 30, 2020, BASIS DC incurred expenses in the amount of \$9,025 payable to BASIS Charter Schools for wages and related benefits. During the year ended June 30, 2019, BASIS DC incurred expenses in the amount of \$9,869 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.

15. BASIS EDUCATIONAL GROUP MANAGEMENT AGREEMENT:

BASIS Educational Group (BASIS.ed) 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 new service agreement with BASIS Educational Group for the period of July 1, 2018 through June 30, 2023. During the year ended June 30, 2020, BASIS DC incurred expenses in the amount of \$1,307,023 for management and school development fees and \$6,171,099 for wages and related benefits. During the year ended June 30, 2019, BASIS DC incurred expenses in the amount of \$1,242,447 for management fees and \$5,824,087 for wages and related benefits. As of June 30, 2020, \$46,768 is receivable from BASIS.ed for management fees. As of June 30, 2019, \$3,879 was payable to BASIS.ed for management fees. In addition, \$293,515 and \$288,776, respectively, was payable to BASIS.ed for accrued leased employee wages and benefits and has been reflected as accrued wages in the financial statements at June 30, 2020 and 2019.

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.

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

16. 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, 2020 and 2019, the Boosters organization provided a donation to BASIS DC in the amount of \$43,970 and \$30,000, respectively, to be deposited and utilized in the Annual Teacher Fund.

17. 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, 2020 and 2019, ninety-five percent (95%) and ninety-four percent (94%), respectively, 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.

18. CONTINGENCIES:

Compliance and Accountability

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.

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

18. CONTINGENCIES: (Continued)

Compliance and Accountability (Continued)

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.

The Charter School receives funding from various federal and state grant reimbursement programs, which are governed by various rules and regulations of the respective grantor agencies. To the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. The Charter School 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. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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.

Pandemic

The Charter School has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Charter School is closely monitoring its operations as well as the potential effects on its 2020/2021 academic year and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Charter School's financial position is not known.

19. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 30, 2020, 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.

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

20. FUNDRAISING:

During the years ended June 30, 2020 and 2019, expenses incurred for the purpose of fundraising were \$43,163 and \$37,793, 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 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.

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 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.

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, 2020, and the related statements of activities, functional expenses, 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, 2020.

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 Charter School'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 Charter School'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, 2020

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, 2020

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, 2020

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 in internal control 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.

BDC, A PUBLIC CHARTER SCHOOL, INC.
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000
UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2020

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
BASIS Educational Group, LLC	Management Agreement	Variable	no
BASIS Charter Schools, Inc.	Rent	Variable	yes
Paradigm Therapy Partners	Occupational Therapy Services	Variable	no
Direct Energy	Electric	Variable	no
Brad Corporation	Janitorial	707,390	no
Preferred Meals	Meals and Service	827,178	no
Marsh	Insurance	43,049	no
AP College Board	AP Exams	47,050	no
Comcast	Cat 1-Lit Fiber Services	33,146	no
Psychological Assessment Solutions	Special Education Services	40,000	no