

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

WASHINGTON, DC

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COMPARATIVE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**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 8<sup>th</sup> 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, and our report thereon dated December 3, 2019, 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 December 3, 2019, 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  
December 3, 2019

BDC, A PUBLIC CHARTER SCHOOL, INC.  
AN AFFILIATE OF BASIS CHARTER SCHOOLS, INC.  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 2,277,071	\$ 1,584,320
Accounts Receivable	33,206	66,656
Grants Receivable	48,523	59,075
Promises Receivable	-	26,500
Due from Related Parties	366	112,470
Prepaid Expenses	<u>13,628</u>	<u>11,885</u>
Total Current Assets	<u>\$ 2,372,794</u>	<u>\$ 1,860,906</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation and Amortization	<u>\$ 418,529</u>	<u>\$ 482,104</u>
Total Fixed Assets	<u>\$ 418,529</u>	<u>\$ 482,104</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 1,375</u>	<u>\$ 1,375</u>
Total Other Assets	<u>\$ 1,375</u>	<u>\$ 1,375</u>
TOTAL ASSETS	<u>\$ 2,792,698</u>	<u>\$ 2,344,385</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 168,181	\$ 112,844
Accrued Wages Payable	288,776	287,209
Accrued Vacation	16,546	21,139
Due to Related Parties	115,600	309,104
Deferred Revenues	<u>-</u>	<u>11,837</u>
Total Current Liabilities	<u>\$ 589,103</u>	<u>\$ 742,133</u>
Total Liabilities	<u>\$ 589,103</u>	<u>\$ 742,133</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 1,967,172	\$ 1,375,324
Board Designated	25,000	26,500
With Donor Restrictions	<u>211,423</u>	<u>200,428</u>
Total Net Assets	<u>\$ 2,203,595</u>	<u>\$ 1,602,252</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,792,698</u>	<u>\$ 2,344,385</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, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 8,058,292	\$ -	\$ 8,058,292	\$ 7,351,042	\$ -	\$ 7,351,042
Per Pupil Funding - Facilities Allocation	2,075,268	-	2,075,268	1,902,866	-	1,902,866
Federal Entitlements and Grants	157,947	-	157,947	144,668	-	144,668
Donated Commodities	8,241	-	8,241	6,003	-	6,003
State Grants	5,320	-	5,320	36,890	-	36,890
Contributions	13,198	187,842	201,040	5,129	148,283	153,412
Student Activity Fees	291,096	-	291,096	278,975	-	278,975
Rental of Classroom Facilities	9,843	-	9,843	5,083	-	5,083
Gain /(Loss) on Disposal of Fixed Assets	98	-	98	-	-	-
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>176,847</u>	<u>(176,847)</u>	<u>-</u>	<u>110,129</u>	<u>(110,129)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 10,796,150</u>	<u>\$ 10,995</u>	<u>\$ 10,807,145</u>	<u>\$ 9,840,785</u>	<u>\$ 38,154</u>	<u>\$ 9,878,939</u>
<u>Expenses:</u>						
Educational Services	\$ 9,561,668	\$ -	\$ 9,561,668	\$ 8,913,197	\$ -	\$ 8,913,197
General and Administrative	606,341	-	606,341	637,756	-	637,756
Fundraising	<u>37,793</u>	<u>-</u>	<u>37,793</u>	<u>61,199</u>	<u>-</u>	<u>61,199</u>
Total Expenses	<u>\$ 10,205,802</u>	<u>\$ -</u>	<u>\$ 10,205,802</u>	<u>\$ 9,612,152</u>	<u>\$ -</u>	<u>\$ 9,612,152</u>
Changes in Net Assets	\$ 590,348	\$ 10,995	\$ 601,343	\$ 228,633	\$ 38,154	\$ 266,787
Net Assets, Beginning of Year	<u>1,401,824</u>	<u>200,428</u>	<u>1,602,252</u>	<u>1,173,191</u>	<u>162,274</u>	<u>1,335,465</u>
Net Assets, End of Year	<u>\$ 1,992,172</u>	<u>\$ 211,423</u>	<u>\$ 2,203,595</u>	<u>\$ 1,401,824</u>	<u>\$ 200,428</u>	<u>\$ 1,602,252</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, 2019 AND 2018

	June 30, 2019				June 30, 2018			
	<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	\$ 235,095	\$ 140,827	\$ 80,811	\$ 13,457	\$ 273,526	\$ 147,888	\$ 105,318	\$ 20,320
Teachers' Salaries	3,095,898	3,095,898	-	-	2,758,632	2,758,632	-	-
Other Educational Professional Salaries	560,288	518,106	42,182	-	682,144	647,934	34,210	-
Clerical Salaries	779,954	715,329	61,881	2,744	628,111	530,255	87,758	10,098
Business Operation Salaries	219,971	141,166	72,567	6,238	159,737	87,124	69,383	3,230
Employee Benefits	535,641	504,991	28,193	2,457	483,683	448,196	31,872	3,615
Payroll Taxes	407,109	383,813	21,428	1,868	360,395	333,954	23,748	2,693
Staff Development Costs	<u>57,522</u>	<u>54,480</u>	<u>3,042</u>	<u>-</u>	<u>71,535</u>	<u>71,535</u>	<u>-</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 5,891,478</u>	<u>\$ 5,554,610</u>	<u>\$ 310,104</u>	<u>\$ 26,764</u>	<u>\$ 5,417,763</u>	<u>\$ 5,025,518</u>	<u>\$ 352,289</u>	<u>\$ 39,956</u>
<u>Direct Student Costs:</u>								
Food Service	\$ 99,917	\$ 99,917	\$ -	\$ -	\$ 174,608	\$ 174,608	\$ -	\$ -
Instructional Supplies and Equipment	68,287	68,287	-	-	122,316	122,316	-	-
Contracted Instructional/Student Services	135,287	135,287	-	-	105,524	105,524	-	-
Extracurricular Supplies and Expenses	54,099	54,099	-	-	29,572	29,572	-	-
Depreciation - Textbooks	27,772	27,772	-	-	40,125	40,125	-	-
Other Student Costs	<u>10,944</u>	<u>10,944</u>	<u>-</u>	<u>-</u>	<u>16,821</u>	<u>16,821</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 396,306</u>	<u>\$ 396,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,966</u>	<u>\$ 488,966</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 1,809,222	\$ 1,717,133	\$ 92,089	\$ -	\$ 1,909,706	\$ 1,782,919	\$ 126,787	\$ -
Building Insurance	32,715	31,050	1,665	-	26,858	25,075	1,783	-
Depreciation - Leaseholds	13,632	12,938	694	-	8,640	8,066	574	-
Janitorial Service/Supplies	108,422	102,903	5,519	-	116,357	108,632	7,725	-
Maintenance and Repairs	19,304	18,321	983	-	26,890	25,105	1,785	-
Utilities	137,915	130,895	7,020	-	108,049	100,875	7,174	-
Security	<u>2,438</u>	<u>2,314</u>	<u>124</u>	<u>-</u>	<u>13,594</u>	<u>12,692</u>	<u>902</u>	<u>-</u>
Total Occupancy Costs	<u>\$ 2,123,648</u>	<u>\$ 2,015,554</u>	<u>\$ 108,094</u>	<u>\$ -</u>	<u>\$ 2,210,094</u>	<u>\$ 2,063,364</u>	<u>\$ 146,730</u>	<u>\$ -</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, 2019 AND 2018

	June 30, 2019				June 30, 2018			
	<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	\$ 33,356	\$ 31,053	\$ 1,663	\$ 640	\$ 10,037	\$ 8,241	\$ 586	\$ 1,210
Equipment Rental and Maintenance	36,220	34,377	1,843	-	33,061	30,866	2,195	-
Telecommunications	10,288	9,764	524	-	14,817	13,833	984	-
Internet DSL/Cable	16,176	15,353	823	-	37,163	34,696	2,467	-
Postage and Shipping	1,422	1,346	72	4	2,287	2,096	150	41
Travel	41,530	39,316	2,106	108	18,787	17,461	1,241	85
Recruitment	25,902	24,584	1,318	-	24,748	23,105	1,643	-
Marketing and Promotion	<u>22,690</u>	<u>22,690</u>	<u>-</u>	<u>-</u>	<u>13,100</u>	<u>13,100</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 187,584</u>	<u>\$ 178,483</u>	<u>\$ 8,349</u>	<u>\$ 752</u>	<u>\$ 154,000</u>	<u>\$ 143,398</u>	<u>\$ 9,266</u>	<u>\$ 1,336</u>
<u>General Expenses:</u>								
Insurance	\$ 21,160	\$ 20,083	\$ 1,077	\$ -	\$ 35,420	\$ 33,068	\$ 2,352	\$ -
Event Expenses	4,185	-	-	4,185	18,738	1,867	133	16,738
Dues and Subscriptions	54,240	51,479	2,761	-	54,278	50,674	3,604	-
Accounting and Legal Services	46,055	-	46,055	-	31,467	3,250	28,217	-
Payroll Service Fee	11,102	10,510	563	29	10,472	9,704	690	78
Service Charges	8,825	-	2,762	6,063	4,680	-	1,589	3,091
Authorizer Fee	95,365	90,511	4,854	-	87,484	81,676	5,808	-
School Management Fee	1,242,447	1,179,206	63,241	-	1,012,837	945,594	67,243	-
School Development Fee	55,000	-	55,000	-	-	-	-	-
Depreciation	66,107	62,743	3,364	-	68,902	64,328	4,574	-
Moving Expenses	-	-	-	-	3,799	-	3,799	-
Offices Expenses	<u>2,300</u>	<u>2,183</u>	<u>117</u>	<u>-</u>	<u>13,252</u>	<u>1,790</u>	<u>11,462</u>	<u>-</u>
Total General Expenses	<u>\$ 1,606,786</u>	<u>\$ 1,416,715</u>	<u>\$ 179,794</u>	<u>\$ 10,277</u>	<u>\$ 1,341,329</u>	<u>\$ 1,191,951</u>	<u>\$ 129,471</u>	<u>\$ 19,907</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 10,205,802</u>	<u>\$ 9,561,668</u>	<u>\$ 606,341</u>	<u>\$ 37,793</u>	<u>\$ 9,612,152</u>	<u>\$ 8,913,197</u>	<u>\$ 637,756</u>	<u>\$ 61,199</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, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 601,343	\$ 266,787
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	107,511	117,667
(Gain)/Loss on Disposal of Fixed Assets	(98)	-
Accounts Receivable - (Increase)/Decrease	33,450	(42,526)
Grants Receivable - (Increase)/Decrease	10,552	(49,000)
Promises Receivable - (Increase)/Decrease	26,500	12,962
Due from Related Parties - (Increase)/Decrease	112,104	(84,245)
Prepaid Expenses - (Increase)/Decrease	(1,743)	21,876
Accounts Payable - Increase/(Decrease)	55,337	32,783
Accrued Wages Payable - Increase/(Decrease)	1,567	(5,634)
Accrued Vacation - Increase/(Decrease)	(4,593)	21,139
Due to Related Parties - Increase/(Decrease)	(193,504)	200,293
Deferred Revenues - Increase/(Decrease)	<u>(11,837)</u>	<u>9,105</u>
Net Cash Flows from Operating Activities	<u>\$ 736,589</u>	<u>\$ 501,207</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (33,972)	\$ (79,820)
Purchase of Textbooks	(11,340)	(22,579)
Purchase of Leasehold Improvements	-	(299,533)
Proceeds on Disposal of Fixed Assets	<u>1,474</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (43,838)</u>	<u>\$ (401,932)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 692,751	\$ 99,275
Cash and Cash Equivalents at Beginning of Year	<u>1,584,320</u>	<u>1,485,045</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,277,071</u>	<u>\$ 1,584,320</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2019 and 2018.
- b) No interest was paid during the years ended June 30, 2019 and 2018.

(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**

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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

**Contributions** (Continued)

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 judgement, including such factors as prior collection history and type of contribution.

Conditional promises, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

**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.

**Student Activity Fees**

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

(c) Corporate Taxes:

**Federal Income Taxes**

BASIS DC is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Accordingly, no provision for income taxes has been provided for in the accompanying financial statements. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The Charter School did not have any net unrelated business income for the years ended June 30, 2019 and 2018.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes: (Continued)

**Federal Income Taxes** (Continued)

Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. BASIS DC reimbursed BASIS Educational Group \$13,015 for income tax on mass transportation benefits during the year ended June 30, 2019.

**District of Columbia Real Estate Taxes and Sales Tax**

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

(d) Government Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia in the form of exchange transactions. These grants are subject to financial and compliance audits by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue.

(e) Net Assets:

The Charter School 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets without Donor Restrictions** (Continued)

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 of \$25,000 and \$26,500, respectively, were designated by the Board of Directors during the years ended June 30, 2019 and 2018, 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 purpose:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Annual Teacher Fund	\$ 211,423	\$ 200,428
Total Net Assets Available	<u>\$ 211,423</u>	<u>\$ 200,428</u>

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 purpose:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Annual Teacher Fund	\$ 176,847	\$ 110,129
Total Net Assets Released from Restrictions	<u>\$ 176,847</u>	<u>\$ 110,129</u>

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

The time contributed by the BASIS DC Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There were no donated services or materials recognized during the years ended June 30, 2019 and 2018.

(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.

(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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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.

(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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of activities has been changed to present columns for both activities with donor restrictions and activities without donor restrictions as management believes this better reports changes in the Charter School's changes in financial position arising from its activities.
- The schedule of functional expenses is included as a component of the financial statements.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes had no effect on net assets at July 1, 2018.

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 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.



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

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (Continued)

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.

June 30, 2019

Financial Assets at Year End:

Cash and Cash Equivalents	\$ 2,277,071
Accounts Receivable	33,206
Grants Receivable	48,523
Due from Related Parties	<u>366</u>
Total Financial Assets	<u>\$ 2,359,166</u>

Less Amounts Not Available for General  
Expenditure Within One Year Due to:

Internal Board Designations:	
Annual Teacher Fund	<u>\$ 25,000</u>

Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 2,334,166</u>
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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.

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, 2019, 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, 2019, the statute of limitations for tax years 2015 through 2017 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, 2019, BDC, A Public Charter School, Inc., had no accruals for interest and/or penalties.

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

5. CASH AND CASH EQUIVALENTS:

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Non-Interest Bearing Checking Accounts	\$ 2,277,071	\$ 1,584,320
Total	<u>\$ 2,277,071</u>	<u>\$ 1,584,320</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, as well as 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, 2019 and 2018, \$2,029,653 and \$1,397,945, 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.

6. 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, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Accounts Receivable</u>		
Activity Fees	\$ 16,664	\$ 42,012
Per Pupil Funding	11,756	21,792
Other	4,786	-
Reimbursable Expenses	<u>-</u>	<u>2,852</u>
Total	<u>\$ 33,206</u>	<u>\$ 66,656</u>

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

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

**Accounts and Grants Receivable** (Continued)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Grants Receivable</u>		
Individuals with Disabilities Education Act (IDEA)	\$ 40,252	\$ 32,804
Donated Commodities	8,241	-
Entitlement and Secondary Education (Title II)	30	-
Improving School Climate	-	12,286
National School Lunch and Breakfast Program	-	11,774
Healthy Schools Act	-	1,665
Special Education Enhancement	<u>-</u>	<u>546</u>
Total	<u>\$ 48,523</u>	<u>\$ 59,075</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 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, 2019 and 2018.

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

**Promises Receivable**

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Annual Teacher Fund	\$ <u>-</u>	\$ <u>26,500</u>
Total	<u>\$ -</u>	<u>\$ 26,500</u>

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

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

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. 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, 2019 and 2018 was \$107,511 and \$117,667, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2019

	<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>

June 30, 2018

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Textbooks	3 Years	\$ 240,746	\$ 203,130	\$ 37,616
Furniture and Equipment	3-5 Years	462,335	331,243	131,092
Software	3 Years	11,577	3,824	7,753
Leasehold Improvements	10-25 Years	<u>316,043</u>	<u>10,400</u>	<u>305,643</u>
Total		<u>\$ 1,030,701</u>	<u>\$ 548,597</u>	<u>\$ 482,104</u>

8. DUE TO/FROM RELATED PARTIES:

As of June 30, 2019 and 2018, amounts due and payable to related parties are as follow:

	<u>June 30, 2019 Due From/(To)</u>	<u>June 30, 2018 Due From/(To)</u>
BASIS Educational Group	\$ (67,033)	\$ 112,470
BASIS Charter Schools, Inc.	(48,567)	(309,104)
Other BASIS Charter Schools	<u>366</u>	<u>-</u>
Total	<u>\$ (115,234)</u>	<u>\$ (196,634)</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 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 (.9% for the 18/19 and 17/18 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, 2019 and 2018 the Charter School incurred \$95,365 and \$87,484, 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, 2019, was not permitted to be greater than 1,000 students. Audit enrollment for the 2018/2019 year was 636 students and for the 2017/2018 year was 599 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, 2019, the per-student rate ranged from \$10,658 to \$13,003 for the educational allotment and \$3,263 for the facility allotment. For the year ended June 30, 2018, the per-student rate ranged from \$10,257 to \$12,514 for the educational allotment and \$3,193 for the facility allotment. Additional allotments were made for Special Education services and English as a Second Language. Per-pupil funding for the years ended June 30, 2019 and 2018 was as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Grade Level 5 <sup>th</sup> - 12 <sup>th</sup> Grade	\$ 7,485,967	\$ 6,719,567
Special Education	422,070	304,673
At Risk Students	124,143	123,544
English as a Second Language	26,112	60,311
Facilities Allowance	2,075,268	1,902,866
Teachers Collective Bargaining	<u>-</u>	<u>142,947</u>
Total	<u>\$ 10,133,560</u>	<u>\$ 9,253,908</u>

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

11. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2019 and 2018, BASIS DC participated in the following federal award programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Individuals with Disabilities Education Act (IDEA 611)	\$ 97,139	\$ 79,526
National School Lunch and Breakfast Programs	32,752	27,484
Elementary and Secondary Education (Title II)	26,856	25,372
Improving School Climate	1,200	12,286
Donated Commodities	<u>8,241</u>	<u>6,003</u>
Total	<u>\$ 166,188</u>	<u>\$ 150,671</u>

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

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

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, 2018, were \$150,016. 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, 2019 and 2018 was \$1,800,198 and \$1,909,706, respectively.

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

12. COMMITMENTS: (Continued)

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

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>
2020	\$ 1,944,972
2021	1,974,147
2022	2,003,759
2023	2,033,815
2024	<u>2,064,322</u>
Total	<u>\$ 10,021,015</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, 2019, BASIS DC incurred expenses in the amount of \$9,869 payable to BASIS Charter Schools for wages and related benefits. During the year ended June 30, 2018, BASIS DC incurred expenses in the amount of \$36,611 payable to BASIS Charter Schools for wages and related benefits.

**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 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, 2019, BASIS DC incurred expenses in the amount of \$1,242,447 for management fees and \$5,824,087 for wages and related benefits. During the year ended June 30, 2018, BASIS DC incurred expenses in the amount of \$1,012,837 for management fees and \$5,309,617 for wages and related benefits. As of June 30, 2019 and 2018, \$3,879 and \$53,662, respectively, was payable to BASIS.ed for management fees. In addition, \$288,776 and \$287,209, 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, 2019 and 2018.

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, 2019 and 2018, the Boosters organization provided a donation to BASIS DC in the amount of \$30,000 and \$26,500, 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, 2019 and 2018, 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.

18. CONTINGENCIES:

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

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

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

18. CONTINGENCIES: (Continued)

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

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

**Litigation**

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

19. SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 3, 2019, 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.

20. FUNDRAISING:

During the years ended June 30, 2019 and 2018, expenses incurred for the purpose of fundraising were \$37,793 and \$61,199, respectively.

21. ADVERTISING:

Advertising costs are expensed when incurred. Advertising activities were conducted for the purpose of promoting open enrollment to the Charter School and to provide outreach to the community. Direct advertising costs in the amount of \$21,842 and \$12,549 were incurred during the years ended June 30, 2019 and 2018, respectively.

22. RETIREMENT PLAN:

**401(k) Retirement Plan**

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

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

22. RETIREMENT PLAN: (Continued)

**401(k) Retirement Plan** (Continued)

The Charter School is required to make employer non-elective safe harbor contributions of 3% of annual employee compensation for employees with more than six months of employment. Participants are 100% vested in their contributions and the 3% employer safe harbor contribution. Authorized entry dates into the plan are January 1<sup>st</sup> and July 1<sup>st</sup> 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%.

23. 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 8<sup>th</sup> 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, 2019, 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 December 3, 2019.

***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  
December 3, 2019

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, 2019

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, 2019

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.

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, 2019

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
BASIS Educational Group	Management Agreement	Variable	no
BASIS Charter Schools, Inc.	Rent	Variable	yes
Preferred Meals	Meals and Service	827,177	no
Pepco	Utility	Variable	no
Brad Corporation	Janitorial	707,390	no
Paradigm Therapy Partners	OTS	Variable	no
PMM Companies	Janitorial	Month to Month	no
Staples	Office Supplies	N/A	no
AP College Board	AP Exams	42,542	no
Direct Energy	Utility	Variable	no
Marsh	Insurance	42,324	no