Pima County Clerk of the Board

Julie Castañeda

Melissa Manriquez
Deputy Clerk

Administration Division
130 W. Congress, 5th Floor
Tucson, AZ 85701
Phone: (520)724-8449 • Fax: (520) 222-0448

Management of Information & Records Division
1640 East Benson Highway
Tucson, Arizona 85714
Phone: (520) 351-8454 • Fax: (520) 791-6666

MEMORANDUM

TO: Honorable Chairman and Board Members
Pima County Board of Supervisors

FROM: Julie Castañeda, Clerk of the Board

DATE: December 17, 2019

RE: Petition for Relief of Real Property Taxes – BASIS Schools, Inc.

Pursuant to A.R.S. §42-11104(G), BASIS Schools, Inc., filed a petition on November 6, 2019, for relief of their Real Property Taxes as follows:

1. Parcel No. **220-08-4710** (formally Parcel No. **220-08-463B**, parent) – Tax Years 2014 and 2015. See attached spreadsheet for exemption request and impact.

   The Assessor's review of this property indicates that the petition would have been granted pending certificate of occupancy (property was purchased December 9, 2013). Attached is the certificate of occupancy issued November 20, 2014.

   Additional information regarding this property indicates that in 2014, Parcel No. 220-08-463B was taxed as land only, there were no improvements on the property. And, in 2015 the parcel became 220-08-4710 and the property was taxed for land and improvements.

2. Parcel No. 125-10-018A – Tax Years 2016, 2017, 2018, and 2019. See attached spreadsheet for exemption request and impact.

   The Assessor's review for 2016, 2017, and 2018, indicates that the Assessor would not have granted the exemption because the property was not being used for the exempt purpose during the time period required by statute. The parcel was vacant land (Class 2) in 2016, 2017, and 2018. Also, the facility did not furnish the required documentation requested by the Assessor at the time of application per A.R.S. §42-11152(A)(3) & (B).

The Assessor's review for 2019 indicates that had the affidavit been filed in a timely manner the Assessor's Office would have granted the exemption. Parcel was purchased in April 2016.

/jc
Attachments

- Basis Charter Schools Request for Exemption Spreadsheet
- Certificate of Occupancy
- Notice of Hearing
- Treasurer's Tax Reports
- Assessor's Review Forms
- Basis Schools Inc. submission

Basis Charter Schools

Request for Exemptions

		Tax Year	Tax	Interest	Penalty	Cert Fee	Cert Int	Redemp Fee	Total	Cert %	Paid Date	Property Acquisition Date	If Exemption Granted: Amount due to: Lienholder	Basis
220-08-463B	(a)	2014	17,817.80	3,088.42	890.89	10.00	3,343.76	10.00	25,160.87	4%		12/19/2013	25,150.87	
220-08-4710	(a)	2015	173,234.99	30,027.40	8,661.75	10.00	36,028.80	10.00	247,972.94	6%		12/19/2013	247,962.94	
12510018A		2015	Not owned by Basis in 2015.									4/29/2016		
12510018A	(b)	2016	3,542.59	614.05	177.13	10.00	173.75	10.00	4,527.52	4%	2/8/2019	4/29/2016		4,527.52
	(b)	2017	3,288.87	482.37		5.00	25.17		3,801.41	4%	2/8/2019	4/29/2016		3,801.41
									8,328.93					
12510018A	(c)	2018	3,307.48	132.30					3,439.78		02/08/19 & 06/21/19	4/29/2016		3,439.78
12510018A	(d)	2019	3,381.46	45.09					3,426.55			4/29/2016		
													273,113.81	11,768.71

(a) Currently under Certificate of Purchase that has not been redeemed.

(b) Certificate of Purchase was redeemed by Basis on 02/08/2019.

(c) Taxes paid by Basis on 02/08/2019 and 06/21/2019.

(d) No payments received.

Oro Valley Online for You

Permits and Inspections

Search Results

10 Applications | 0 Inspections

Modify Search | New Search

☐ Show active Applications only

Applications (10 found)

Location / Subdivision	Owner/Contractor	Parcel ID	Status	Reference	Fees	Due
11129 N ORACLE RD	BASIS SCHOOL INC	220084710	COMPLETE	MB1501829	$50.00	$0.00
11129 N ORACLE RD	BASIS SCHOOL INC	220084710	COMPLETE	MB1502091	$200.00	$0.00
11129 N ORACLE RD	BASIS SCHOOL INC	220084710	WITHDRAWN	MB1601521	$50.00	$50.00
11129 N ORACLE RD	BASIS SCHOOL INC	220084710	WITHDRAWN	MB1601522	$50.00	$50.00
11129 N ORACLE RD	BASIS SCHOOL INC	220084710	COMPLETE	MB1601536	$170.00	$0.00
11129 N ORACLE RD	BASIS SCHOOL INC	220084710	COMPLETE	MB1603081	$200.00	$0.00
11129 N ORACLE RD	BASIS SCHOOL INC / BASIS SCHOOL INC	220084710	COMPLETE	MB1702997	$50.00	$0.00
11129 N ORACLE RD	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	220084650	COMPLETE	ECH1400002	$300.00	$0.00
11129 N ORACLE RD	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	220084650	COMPLETE	ECH1400003	$300.00	$0.00
11129 N ORACLE RD	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	220084710	COMPLETE	C1400006	$45,134.79	($780.00)

☐ Show unperformed Inspections only

Inspections * (0 found)

Found no Inspections matching the search criteria.

* List only includes inspections with no associated application.

Oro Valley Online for You

Permits and Inspections

Application reference C1400006

1 Permit | 190 Inspections

Status	COMPLETE / CERTIFICATE OF OCCUPANCY
Project/Activity	COMMERCIAL NEW
Location	11129 N ORACLE RD ORO VALLEY
Owner Name	EVERGREEN-STEAM PUMP LLC
Parcel ID	220084710

View Application Information | View Plan Reviews

Permits (1 found)

Permit Type	Status	Permit Number	Total Fees	Balance Due	Details
COMMERCIAL	ISSUED	C1400006	$45,134.79	($780.00)	Details

Inspections (190 found)

Inspection Type	Owner/Contractor	Scheduled	Result	Fee	Balance Due	Details
ROUGH GRADE/PAD ELEV CERT	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	4/23/2014	APPROVED	$0.00	$0.00	Details | Alert
EXCAVATION/LAYOUT REBAR & ZONE	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	4/11/2014	CANCELLED	$0.00	$0.00	Details | Alert
EXCAVATION/LAYOUT REBAR & ZONE	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	4/15/2014	PARTIALLY APPROVED	$0.00	$0.00	Details | Alert
EXCAVATION/LAYOUT REBAR & ZONE	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	4/16/2014	PARTIALLY APPROVED	$0.00	$0.00	Details | Alert

WATER UTILITY [CALL 229-5017]	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	11/4/2014	APPROVED	$0.00	$0.00	Details | Alert
COFO BLDG SAFETY ADMIN*	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	11/4/2014	PARTIALLY APPROVED	$0.00	$0.00	Details | Alert
COFO BLDG SAFETY ADMIN*	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	11/20/2014	APPROVED	$0.00	$0.00	Details | Alert
C OF O FIRE [CALL 825-5959]	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	11/3/2014	APPROVED	$0.00	$0.00	Details | Alert
COFO ZONING*	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	8/7/2014	APPROVED	$0.00	$0.00	Details | Alert
FINAL GRADING BUILDING	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	7/24/2014	NOT READY	$0.00	$0.00	Details | Alert
FINAL GRADING BUILDING	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	7/25/2014	FAILED	$0.00	$0.00	Details | Alert
FINAL GRADING BUILDING	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	7/28/2014	NOT READY	$0.00	$0.00	Details | Alert
FINAL GRADING BUILDING	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	7/29/2014	NOT READY	$0.00	$0.00	Details | Alert
FINAL GRADING BUILDING	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	7/30/2014	NOT READY	$0.00	$0.00	Details | Alert
FINAL GRADING BUILDING	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	7/31/2014	NOT READY	$0.00	$0.00	Details | Alert
FINAL GRADING BUILDING	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	8/1/2014	NOT READY	$0.00	$0.00	Details | Alert
FINAL GRADING BUILDING	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	8/4/2014	APPROVED	$0.00	$0.00	Details | Alert
FINAL GRADING BUILDING	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	8/5/2014	CANCELLED	$0.00	$0.00	Details | Alert
FINAL GRADING BUILDING	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	8/5/2014	APPROVED	$0.00	$0.00	Details | Alert

PERMIT FINALED	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	8/4/2014	FAILED	$0.00	$0.00	Details | Alert
PERMIT FINALED	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	8/5/2014	FAILED	$0.00	$0.00	Details | Alert
PERMIT FINALED	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	8/6/2014	FAILED	$0.00	$0.00	Details | Alert
PERMIT FINALED	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	8/7/2014	FAILED	$0.00	$0.00	Details | Alert
PERMIT FINALED	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	10/24/2014	PARTIALLY APPROVED	$0.00	$0.00	Details | Alert
PERMIT FINALED	EVERGREEN-STEAM PUMP LLC / CANYON BUILDING AND DESIGN LLC	11/20/2014	APPROVED	$0.00	$0.00	Details | Alert

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Pima County Clerk of the Board

Julie Castañeda

Melissa Manriquez
Deputy Clerk

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Tucson, Arizona 85714
Phone: (520) 351-8454 • Fax: (520) 791-6666

December 12, 2019

BASIS Schools, Inc.
c/o Warren Charter Law
Attn: Terry D. Warren
7702 E. Doubletree Ranch Road, Suite 300
Scottsdale, AZ 85258

RE: Petition for Relief of Taxes – Parcel Nos. 220-08-463B, 220-08-4710, and 125-10-018A

Dear Mr. Warren:

Please be advised that your Petition for Relief of Real Property Taxes for tax years 2014, 2015, 2016, 2017, 2018, and 2019, has been scheduled before the Pima County Board of Supervisors on Tuesday, December 17, 2019, at 9:00 a.m., or thereafter, at the following location:

Pima County Administration Building
Board of Supervisors Hearing Room
130 West Congress, 1st Floor
Tucson, AZ 85701

If you have any questions regarding this hearing, please contact this office at 724-8449.

Sincerely,

Julie Castañeda
Clerk of the Board

/jc

PIMA COUNTY TREASURER'S OFFICE

Beth Ford, CPA
Pima County Treasurer

240 North Stone Avenue
Tucson AZ, 85701-1199
(520) 724-8341

ACCOUNT BALANCE

BASIS SCHOOLS INC
7975 N HAYDEN RD STE B100
SCOTTSDALE AZ

ACCOUNT: 22008463B
PROPERTY TYPE: Real Estate
PROPERTY LOCATION: No Location Data Available
LEGAL DESC:

Account Balance as of November 8, 2019

Tax Year	Cert No	Interest Date	Interest Percent	Amount	Interest Due	Fees Due	Penalties Due	Total Due
2014 - 1	1604229	2/25/2016	4.0	21,807.11	3,271.07	10.00	0.00	25,088.18
Totals				$21,807.11	$3,271.07	$10.00	$0.00	$25,088.18

If you have any questions about the items on this statement, please contact our offices.

Fax (520) 724-4809
www.to.pima.gov

PIMA COUNTY TREASURER'S OFFICE

Beth Ford, CPA
Pima County Treasurer

240 North Stone Avenue
Tucson AZ, 85701-1199
(520) 724-8341

ACCOUNT BALANCE

BASIS SCHOOLS INC
7975 N HAYDEN RD STE B100
SCOTTSDALE AZ 85258-3276

ACCOUNT:	220084710
PROPERTY TYPE:	Real Estate
PROPERTY LOCATION:	11129 N ORACLE RD
LEGAL DESC:	STEAM PUMP VILLAGE PHASE 3 RESUB #1 LOT 8 SQ20141350056

Account Balance as of November 8, 2019

Tax Year	Cert No	Interest Date	Interest Percent	Amount	Interest Due	Fees Due	Penalties Due	Total Due
2015 - 1	1703571	2/23/2017	6.0	211,934.14	34,969.13	10.00	0.00	246,913.27
Totals				$211,934.14	$34,969.13	$10.00	$0.00	$246,913.27

If you have any questions about the items on this statement, please contact our offices.

Fax (520) 724-4809
www.to.pima.gov

Pima County Clerk of the Board

Julie Castañeda

Melissa Manriquez
Deputy Clerk

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Petition to the Board of Supervisors - Review Form

Pursuant to ☒ A R.S. §42-11104(G) (educational/library property) or
☐ A.R.S. §42-11109(E) (religious property)

Taxpayer Basis School Inc

For tax year(s) 2014 - Parcel No. 220-08-4638

1) Did the organization file an affidavit as required by A.R.S. §42-11153?
☐ Yes ☒ No

2) Was the affidavit filed on or before March 1 of the tax year as required by A.R.S. §42-11153?
☐ Yes ☒ No

3) If the affidavit had been filed timely, would the Assessor have granted the exemption?
☒ Yes ☐ No

4) If the answer to Number 3 is "No", why was the exemption denied?
☐ The required ownership of the property was not in effect during the time period required by statute.
☐ The property was not being used for the exempt purpose during the time period required by statute.
☐ The requesting church, educational or library property did not furnish the required documents requested by the Assessor at the time of application per A.R.S. §42-11152(3)&(B)
☒ Other:
***** Pending Certificate of Occupancy (Property was purchased December 19, 2013)

Completed by: Maria L Acedo Date: Nov 19, 2019

c: Honorable Bill Staples, Pima County Assessor

Pima County Clerk of the Board

Julie Castañeda

Melissa Manriquez
Deputy Clerk

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Petition to the Board of Supervisors - Review Form

Pursuant to ☒ A R.S. §42-11104(G) (educational/library property) or
☐ A.R.S. §42-11109(E) (religious property)

Taxpayer Basis School Inc

For tax year(s) 2015 - Parcel No. 220-08-4710

1) Did the organization file an affidavit as required by A.R.S. §42-11153?
☐ Yes ☒ No

2) Was the affidavit filed on or before March 1 of the tax year as required by A.R.S. §42-11153?
☐ Yes ☒ No

3) If the affidavit had been filed timely, would the Assessor have granted the exemption?
☒ Yes ☐ No

4) If the answer to Number 3 is "No", why was the exemption denied?
☐ The required ownership of the property was not in effect during the time period required by statute.
☐ The property was not being used for the exempt purpose during the time period required by statute.
☐ The requesting church, educational or library property did not furnish the required documents requested by the Assessor at the time of application per A.R.S. §42-11152(3)&(B)
☒ Other:
***** Pending Certificate of Occupancy (Property was purchased December 19, 2013)

Completed by: Maria L Acedo Date: Nov 19, 2019

c: Honorable Bill Staples, Pima County Assessor

Melissa Whitney

From: Terry Warren <twarren@warrencharterlaw.com>
Sent: Monday, November 25, 2019 8:14 AM
To: COB_mail
Subject: RE: BASIS Charter Schools, Inc. - Property Tax Appeals

****
This message and sender come from outside Pima County. If you did not expect this message, proceed with caution. Verify the sender's identity before performing any action, such as clicking on a link or opening an attachment.
****

Julie:

You asked me to provide you with the "specific" years BASIS Charter Schools is requesting relief from property taxes.

We believe that the county has assessed property taxes on parcel number 125-10-018A for tax years 2016, 2017, 2018 and 2019. BASIS purchased parcel number 125-10-018A on April 29, 2016 and has used the parcel for educational purposes since the purchase date (first to develop the parking lot and, after development, for staff parking). BASIS is asking for property tax exemption on and after April 29, 2016, and continuing until such time as BASIS may sell the parcel.

With respect to parcel number 220-08-4710, we believe that the county has assessed property taxes for the tax year 2015. This parcel has been tax exempt from 2016 and continuing. However, the county also assessed taxes on the parcel as parcel number 220-08-463B. The county websites do not allow us to review this parcel number. However, BASIS purchased the parcel December 19, 2013 and we believe the county assessed taxes on this prior parcel number for 2013 and 2014.

To answer your question specifically, we think the information above is accurate, but the specific request is to exempt the parcels from property taxes on and after the date BASIS acquired title to the parcels. So for parcel 125-10-018A, the request is to exempt the parcel on and after April 29, 2016, and for parcel 220-08-4710 (under any parcel number, including 220-08-463B), the request is to exempt the parcel on and after December 19, 2013.

I hope this helps. Let me know if you have further questions. Thank you.

Terry

NOV 25 2019 PM 02:06 PCO CLK OF BD

Terry Warren
Warren Charter Law, PLC
7702 East Doubletree Ranch Road, Suite 300
Scottsdale, Arizona 85258
Tel: 480-222-2045 ext 2
Cell: 480-818-2448
Email: twarren@warrencharterlaw.com

WARREN CHARTER LAW
PLC

NOV 05 '19 PM 12:20 PC CLK OF BD

November 3, 2019

VIA EMAIL

Ms. Julie Castaneda
Clerk of the Board
Pima County Board of Supervisors
130 West Congress Street, Fifth Floor
Tucson, Arizona 85701

RE: BASIS Charter Schools, Inc.: Petition for Relief Under A.R.S. §42-11104(G)

Dear Ms. Castaneda:

This firm represents BASIS Charter Schools, Inc., an Arizona nonprofit corporation formerly known as BASIS Schools, Inc. ("BASIS"). BASIS has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3). A copy of BASIS' Federal 501(c)(3) income tax exemption letter from the IRS is attached. A copy of BASIS' charter school contract with the Arizona State Board for Charter Schools is also attached.

BASIS previously applied for a property-tax exemption for assessor parcel number 220-08-4710 (formerly assessor parcel number 220-08-463B), located at 11129 North Oracle Road, Oro Valley, Arizona (the "Property"), requesting exemption on and after BASIS' acquisition date of December 19, 2013 (see attached Special Warranty Deed). BASIS was granted a property tax exemption for the Property.

Notwithstanding the granted exemption, BASIS received a notice from the Pima County Treasurer's office, enclosed for your reference, that indicates that the Property has delinquent taxes and is subject to sale if the taxes are not paid immediately. Further, in a phone call on February 5, 2019, the Pima County Assessor's office advised that a lien for this Property has been sold and the Property is subject to foreclosure in February of 2020.

Upon learning of the tax-lien, BASIS contacted me and I immediately began working with the Pima County Assessor to remedy the situation. Since that time, I have talked with, and emailed, at least five employees at the assessor's office and made no less than eight telephone calls to these individuals. Each time the employee assured me that he or she would look into the matter and that either they or their supervisor would return my call. After waiting weeks for a return call, I would call again and review the entire situation with another assessor employee. I have only ever received one return phone call; that call was from Ms. Susan Shettleroe.

7702 East Doubletree Ranch Road, Suite 300 | Scottsdale, Arizona 85258 | 480.222.2045 | 866.790.1797 | FAX 480.222.2044
www.warrencharterlaw.com

I have also talked on two occasions with the Pima County Treasurer's office and I have talked with and emailed the Pima County Attorney's office. In addition, I have sent a letter to the Pima County Assessor's Office explaining the situation and requesting correction. I have attached that letter for your reference.

I have also talked on two occasions with the Pima County Treasurer's office and I have talked with and emailed the Pima County Attorney's office. I have also sent a letter to the Pima County Assessor's Office explaining the situation and requesting correction. I have attached that letter for your reference.

The result of each of my calls with the Pima County Assessor's office was typically that the employee would review the situation and find a resolution for the assessor error. However, during my discussions with Ms. Shettleroe, she informed me that the property-tax exemption was granted for tax year 2016 and succeeding years and that tax years 2013 through 2015 were not exempt as required by Arizona law and as requested in BASIS' application for exemption. Ms. Shettleroe indicated that the Pima County Assessor interprets A.R.S. §42-11104.C.1 as meaning that the property-tax exemption *commences on the first day the charter school begins instruction of students*. I questioned how anyone could reach that interpretation from the plain language of the statute and asked for the name of the Pima County Attorney assigned to the assessor's office. Ms. Shettleroe provided me with the name and contact information for Mr. Andrew Flagg.

After phone conversations and an email detailing the circumstances and documentation, Mr. Flagg suggested this appeal.

To review, BASIS is a tax-exempt, nonprofit corporation that operates charter schools in Arizona. Under applicable Arizona law, specifically, A.R.S. §42-11104.C, "Property and buildings, including land, improvements, furniture and equipment, that are owned by a nonprofit organization that is recognized under section 501(c)(3) of the internal revenue code and that operates as: 1. A charter school pursuant to section 15-183 are ***exempt from taxation beginning on the date the nonprofit organization acquires ownership of the property*** and buildings if the property and buildings are used for education and are not used or held for profit" (emphasis added).

BASIS acquired the Property on December 19, 2013. BASIS has used the Property for educational purposes since the date of acquisition, first for development of the charter-school facilities and then for continuous instruction of students. BASIS filed an application for property tax exemption for the Property, enclosed for your reference. The application was filed in 2015 because the Pima County Assessor regularly denies applications prior to completion of the charter-school facilities on the Property, meaning BASIS could not file until the facilities were constructed and complete.

Accordingly, the Property should be, and BASIS understood that it has been, property tax exempt on and after December 19, 2013. Indeed, as noted, I have had numerous conversations with the Pima County Assessor's office regarding the property tax-exempt status of the Property. Despite these communications, as well as an express reference on the Pima County Assessor's website indicating that BASIS operates a charter school on the Property, attempts to collect taxes continue and have now escalated to the sale of a lien.

Regardless of the reason for the lack of tax exemption, Arizona law specifies that "If a nonprofit organization described under subsection C of this section that holds title to property used primarily for education fails to file the affidavit required by section 42-11152 in a timely manner, but otherwise qualifies for exemption, the county is required to "Forgive and strike off from the tax roll any property taxes and accrued interest and penalties that are due but not paid" (see A.R.S. 2142-11104.G.2). Although we believe that BASIS did, in fact, file a timely application for exemption, this statute obviously applies to our current situation.

Accordingly, BASIS respectfully requests that the Pima County Board of Supervisor's direct: (i) the Pima County Assessor's office to grant a full property tax exemption on the Property on and after December 19, 2013; and (ii) the Pima County Treasurer's office to eliminate the tax lien on the Property, recover the tax lien from the purchaser and clear any issues related to property taxes on the Property.

I have attached some of the correspondence with the Pima County Assessor for your reference. Please contact me if you have any questions. Thank you for your time and consideration.

Sincerely,

Terry D. Warren

Terry D. Warren

Enclosures

Exhibit A

Questionnaire for Property Tax Exemption

NON-PROFIT AND RELIGIOUS ORGANIZATIONS

Property Tax Information and Questionnaire form

QUESTIONNAIRE FOR PROPERTY TAX EXEMPTION

ALL QUESTIONS MUST BE ANSWERED TO BE CONSIDERED FOR EXEMPTION

1. Name & Address of Organization:
   BASIS Charter Schools, Inc.
   7975 N. Hayden Road, Suite B121
   Scottsdale, AZ 85258

2. Under which section of **Title 42, Chapter 11, Article 3** does your organization claim exemption? 11104.C.
   (**Arizona Revised Statutes can be found at**: www.azleg.gov)

3. Are there any type of business activities such as snack bars, cafés or restaurants operating on the premises? Yes ☐ No ☒

4. Is the organization exempt from Federal and/or State income taxes?
   Yes ☒ No ☐

5. Is the Organization a 501 (C)? Yes ☒ which type 3. No ☐

5. Give day, month, and year deed/title was acquired by applicant.
   Day 19 Month 12 Year 2013

6. Claimant is: Owner/Operator ☒ Owner only ☐ Operator only ☐

7. Exemption is claimed on:
   All land ☒ Buildings & Improvements ☒ Personal Property ☒

8. Is any portion of the property used as a place of residence? Yes ☐ No ☒
   If yes, state number of individuals occupying the premises and the duration of the occupancy. _____.

9. Does applicant receive any income? (other than free will offerings in connection with this property) Yes ☒ No ☐ Payments from the State of Arizona under applicant's charter school contract.

10. Is any portion of the property being leased or rented to a non-profit and/or a for- profit organization(s)? Yes ☐ No ☒. If yes, please list the name(s) of the organization(s)_____

11. List date of occupancy: Month 12 Day 19 Year 2013

EXEMPTION TYPE: 501(c)(3) nonprofit charter school

2019

AFFIDAVIT FOR ORGANIZATIONAL TAX EXEMPTION

Pursuant to A.R.S. §§ 42-11101 through 42-11155

ORGANIZATION NAME: BASIS Charter Schools, Inc.

Mailing Address:
7975 N. Hayden Road
Suite B121
Scottsdale, AZ 85258

CONTACT INFORMATION (Address if different than Applicant)	
NAME: Terry Warren (Suite 300)	
ADDRESS: 7702 E. Doubletree Ranch Road	
CITY: Scottsdale STATE: AZ ZIP CODE: 85258	
TELEPHONE # FOR APPLICANT: 480 222 2045	
Contact Email: twarren@warrencharterlaw.com	
NOTES: Applicant's attorney	

EXEMPTION TYPE:

RELIGIOUS ORGANIZATION	☐	NON-PROFIT ORGANIZATION	☐
CHARITABLE ORGANIZATION	☐	EDUCATIONAL PROPERTY	☒
VETERANS ORGANIZATION	☐	CEMETERY	☐
OTHER (SPECIFY TYPE)	☒	Charter School	☒

Nicholas Stewart
Notary Public
Maricopa County, Arizona
My Comm. Exp. 10-30-2020

NOTE: SIGNATURE MUST BE NOTARIZED OR SIGNED IN THE PRESENCE OF ASSESSOR'S OFFICE PERSONNEL

(A) PROPERTY LIST	(B) LIST USAGE
All real and personal property	educational

STATE OF ARIZONA / PIMA COUNTY

I HEREBY CERTIFY UNDER PENALTY OF PERJURY THAT I HAVE READ OVER THE FOREGOING FACTS BEFORE SUBSCRIBING MY NAME HERETO AND THAT ALL MATTERS HEREIN STATED ARE TRUE TO THE BEST OF MY KNOWLEDGE.

x Terry D. Warren, Agent, 11-5-2019
PROPERTY OWNER / AGENT DATE

x [signature] 10/30/2020
DEPUTY ASSESSOR / NOTARY COMMISSION EXPIRES

Exhibit B

BASIS Schools' IRS 501(c)(3) Tax Determination Letter

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: NOV 1 8 1998

BASIS SCHOOL, INC.
6740 CALLE DE CALIPSO
TUCSON, AZ 85718-2089

Employer Identification Number:
86-0908854
DLN:
17053232021008
Contact Person:
EO CUSTOMER SERVICE
Contact Telephone Number:
(213) 894-2289
Accounting Period Ending:
December 31
Form 990 Required:
yes
Addendum Applies:
no

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in sections 509(a)(1) and 170(b)(1)(A)(ii).

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. In the case of an amendment to your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, you should inform us of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, if you are involved in an excess benefit transaction, that transaction might be subject to the excise taxes of section 4958. Additionally, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please contact your key district office.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of Code sections 2055, 2106, and 2522.

Contribution deductions are allowable to donors only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not

necessarily qualify as deductible contributions, depending on the circumstances. See Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, which sets forth guidelines regarding the deductibility, as charitable contributions, of payments made by taxpayers for admission to or other participation in fundraising activities for charity.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt From Income Tax. If Yes is indicated, you are required to file Form 990 only if your gross receipts each year are normally more than $25,000. However, if you receive a Form 990 package in the mail, please file the return even if you do not exceed the gross receipts test. If you are not required to file, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally $25,000 or less, and sign the return.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of $20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed $10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding $1,000,000 in any year, the penalty is $100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding $1,000,000 shall not exceed $50,000. This penalty may also be charged if a return is not complete, so be sure your return is complete before you file it.

You are required to make your annual return available for public inspection for three years after the return is due. You are also required to make available a copy of your exemption application, any supporting documents, and this exemption letter. Failure to make these documents available for public inspection may subject you to a penalty of $20 per day for each day there is a failure to comply (up to a maximum of $10,000 in the case of an annual return).

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

In accordance with section 508(a) of the Code, the effective date of this determination letter is March 24, 1998.

BASIS SCHOOL, INC.

If we have indicated in the heading of this letter that an addendum applies, the enclosed addendum is an integral part of this letter.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

District Director

Exhibit C

BASIS Schools' Charter School Contract

Charter Contract
Between
Arizona State Board for Charter Schools
And
BASIS School, Inc.

1. **Parties:** The Arizona State Board for Charter Schools is authorized, pursuant to Arizona Revised Statutes ("A.R.S."), Title 15, Chapter 1, Article 8, to execute a Charter Contract ("Charter") for the purpose of authorizing the establishment of charter schools that will provide a learning environment to improve pupil achievement and to provide additional academic choices for parents and pupils.

   A. This Charter is entered into between BASIS School, Inc. ("Charter Holder") and the Arizona State Board for Charter Schools for the purpose of establishing a charter school to operate at the site(s) listed in Paragraph 6 of this Charter.

   B. The person authorized to sign and act on behalf of the Arizona State Board for Charter Schools is the President of the Arizona State Board for Charter Schools or its Executive Director as the President's Designee.

   C. The person authorized to sign on behalf of the Charter Holder is Michael Block ("Charter Representative").

   D. The Charter Representative affirms as a condition of this Charter, that he/she is the above-described representative of the Charter Holder and has authority to enter into this Charter on behalf of the Charter Holder.

   - The Charter Holder must maintain a Charter Representative and provide contact information to the Arizona State Board for Charter Schools.
   - The Arizona State Board for Charter Schools shall direct all communication with regard to this Charter to the Charter Representative.
   - The Charter Representative shall respond to written communication from the Arizona State Board for Charter Schools within the timeframe specified in the communication.

   E. Neither party to this Charter is the employee or agent of the other party.

   F. **Attachment A**, incorporated herein by reference, is a copy of a resolution or minutes of a meeting of the board of directors of a corporate entity or a public body, or a written agreement by the members or managers of a limited liability company or partnership authorizing the Charter Representative to sign documents, including this Charter, on behalf of the Charter Holder.

   G. **Attachment B**, incorporated herein by reference, is proof of the Charter Holder's legal formation if the Charter Holder is not a private person or public body.

   H. The Charter Representative further affirms that the Charter Holder is, and will remain, in good standing with the applicable regulatory body (e.g., for an Arizona Corporation, the Arizona Corporation Commission).

   I. **Attachment C**, incorporated herein by reference, is a true and correct copy of the Application Package of the Charter Holder, relied upon by the Arizona State Board for Charter Schools in granting this Charter.

2. **Purpose:** The Charter Holder shall operate a charter school consistent with the terms of the Charter and all applicable laws; shall achieve pupil outcomes according to the educational

standards established by law and this Charter; and shall be governed and managed in a financially prudent manner.

3. **Governance:**

   A. The Charter Holder and its officers, directors, members and partners, have a duty of care for complying with the provisions of this Charter, all applicable laws, regulations, and reporting requirements.

   B. The Charter Holder shall establish and maintain a governing body for the charter school that is responsible for the policy decisions of the charter school.

4. **Operation:**

   A. The Charter Holder shall be nonsectarian in its charter school programs, admission policies and employment practices and all other operations.

   B. The Charter Holder shall comply with all federal and state laws relating to the education of children with disabilities in the same manner as a school district.

   C. The Charter Holder shall comply with applicable federal, state and local rules, regulations and statutes relating to health, safety, civil rights and insurance.

   D. The Charter Holder shall begin providing a comprehensive program of instruction within twelve months of the parties' execution of this Charter or within twenty four months of January 14, 2013, the date on which the Arizona State Board for Charter Schools approved the charter, whichever date occurs later.

   E. The Charter Holder shall maintain records to document daily pupil attendance and shall make such records available for inspection upon request of the Arizona State Board for Charter Schools and the Arizona Department of Education.

   F. The Charter Holder shall maintain student records in accordance with the Arizona State Library, Archives and Public Records Retention Schedules.

   G. If the Charter Holder receives federal grant funds, the Charter Holder shall timely submit financial and other reports required by the Arizona Department of Education for the Charter Holder's receipt of such funds.

5. **Applicable Law:** The material and services provided by this Charter Holder under this Charter shall comply with all applicable federal, state, and local laws and shall conform, in all respects, to the educational standards contained in its application and Charter. This Charter shall be governed and interpreted in accordance with the laws of the State of Arizona.

6. **Sites:** The Charter Holder shall provide educational services, including the delivery of instruction, at the following location(s):

   BASIS Tucson South
   Oracle Road, North of First Avenue
   Oro Valley, Arizona 85737

   The Charter Holder shall maintain ownership, a lease, or other suitable agreement covering the use of all facilities, and shall ensure that the facilities comply with all applicable federal, state and local health and safety standards and other applicable laws, regulations and rules.

7. **Term of Charter:** This Charter is effective upon the signing of both parties for a term of fifteen (15) years commencing on July 1, 2014 and ending on June 30, 2029, except as otherwise provided in this Charter and by law. The Charter may be renewed for successive periods of twenty (20) years pursuant to law.

8. **Non-Availability of Funds:** Every payment obligation of the State of Arizona under this Charter is conditioned upon the availability of funds continuing to be appropriated or allocated for the payment of such obligations. If funds are not allocated and available for the continuance of this Charter, the Arizona State Board for Charter Schools may terminate this Charter at the end of the period for which funds are available. No liability shall accrue to the Arizona State Board for Charter Schools, nor the State of Arizona, or any of its subdivisions, departments or divisions, in the event this provision is exercised, and neither the Arizona State Board for Charter Schools nor the State of Arizona shall be obligated or liable for any future payments or for any damages as a result of termination under this paragraph.

9. **Charter Interpretation:**

   A. Merger: This Charter, including all of the attachments, constitutes the entire agreement of the Parties. Arizona Revised Statutes, Arizona State Board for Charter School policies, and administrative rules and regulations which may be amended from time to time during the course of the Charter, are incorporated into this Charter, along with any amendments which may occur during the term of the Charter, by this reference.

   B. Waiver: Either party's failure to insist on strict performance of any term or condition of the Charter shall not constitute a waiver of that term or condition, even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

   C. Severability: The provisions of this Charter are severable. Any term or condition deemed illegal or invalid shall not affect any other term or condition of the Charter.

   D. Assignment: Neither party may assign or transfer any right or interest in this Charter unless authorized by law. No assignment, transfer or delegation of any duty of the Charter Holder shall be made without prior written permission of the Arizona State Board for Charter Schools.

10. **Amendments to the Charter and Changes to the Charter Holder:**

   A. This Charter may be amended or modified by mutual agreement, in writing, of the parties. Charter amendments and modifications requiring prior written approval by the Arizona State Board for Charter Schools shall be posted on its website as an Amendment or Notification Request. The Charter Holder shall not take action or implement the modification requested in the amendment or notification until approved by the Arizona State Board for Charter Schools. All amendment and notification requests shall be submitted pursuant to the procedures or rules formulated by the Arizona State Board for Charter Schools. Charter modifications that are not posted on the website may be implemented without the approval of the Arizona State Board for Charter Schools. A technological problem or failure that temporarily prevents the use of all or part of the website does not preclude the Charter Holder from complying with this paragraph.

   B. Any change in the ownership of the Charter Holder, change in the name of the Charter Holder, or change in officers, directors, members or partners of the Charter Holder must be submitted to the Arizona State Board for Charter Schools pursuant to the procedures or rules formulated by the Arizona State Board for Charter Schools.

11. **Insurance:** The Charter Holder shall obtain and maintain insurance in accordance with the laws of the State of Arizona.

Waiver of Rights: The Charter Holder and its insurers providing the required coverage shall waive all rights of recovery against the State of Arizona and the Arizona State Board for Charter Schools and the Department of Education, their agents, officials, assignees and employees.

12. **Indemnification and Acknowledgements:** The Charter Holder shall indemnify, defend, save and hold harmless the Arizona State Board for Charter Schools, the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents and employees ("Indemnitee") from and against any and all claims, actions, liabilities, damages, losses or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) ("Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of the Charter Holder or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of or recovered under the Workers' Compensation Law or arising out of the failure of such Charter Holder to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree that is applicable to the Charter Holder. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by the Charter Holder from and against any and all claims. It is agreed that the Charter Holder will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. In consideration of the award of this Charter, the Charter Holder agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents and employees for losses arising from the work performed by the Charter Holder for the State of Arizona.

A. The parties acknowledge that neither the Arizona State Board for Charter Schools, the State of Arizona, or its agencies, boards, commissions or divisions are liable for the debts or financial obligations of a charter school or persons or entities that operate charter schools.

B. The parties acknowledge that, pursuant to law, the Arizona State Board for Charter Schools, its members, officers and employees are immune from personal liability for all acts done and actions taken in good faith within the scope of its authority.

13. **Academic Performance Indicators and Evaluation:** The Charter Holder shall;

A. Provide a comprehensive program of instruction that aligns with the state academic standards prescribed by the Arizona State Board of Education for the grades approved to operate.

B. Design a method to measure pupil progress toward pupil outcomes adopted by the Arizona State Board of Education pursuant to A.R.S. §15-741.01, including participation in the Arizona Instrument to Measure Standards test and the nationally standardized norm-referenced achievement test as designated by the Arizona State Board of Education.

C. Meet or demonstrate sufficient progress toward the academic performance expectations set forth in the performance framework as adopted and modified periodically by the Arizona State Board for Charter Schools.

14. **Financial Requirements:**

A. The Charter Holder shall comply with the same financial and electronic data submission requirements as a school district, including the Uniform System of Financial Records for Charter Schools (USFRCS) as prescribed in A.R.S. Title 15, chapter 2, article 4, procurement rules as prescribed in A.R.S. §15-213 and audit requirements as prescribed in A.R.S. §15-914 unless specifically excepted by the Arizona State Board for Charter

Schools. If the Charter Holder has received an exception to the USFRCS and/or procurement rules, the Charter Holder shall, at a minimum, follow accounting policies and procedures that comply with Generally Accepted Accounting Principles (GAAP). This includes using an accounting system that provides for the proper recording and reporting of financial data and following standard internal control procedures. In addition, the Charter Holder shall contract for at least an annual financial statement audit that meets the following conditions:

- It is conducted by an independent certified public accountant; and
- It complies with policies adopted by the Arizona State Board for Charter Schools.

B. The Charter Holder shall pay debts as they fall due or in the usual course of business.

C. The Charter Holder shall not commit or engage in gross incompetence or systematic and egregious mismanagement of the school's finances or financial records.

15. **Review, Evaluation and Investigative Teams, Audits and Records:** The Charter Holder shall allow representatives from the Arizona State Board for Charter Schools, Arizona Department of Education, and/or the Arizona Auditor General to visit each school site at any reasonable time.

The Charter Holder shall allow the representatives to conduct financial, program or compliance audits and shall hold open for inspection all records, documents and files relating to any activity or program provided by the Charter Holder relating to the charter school or by the charter school. Pursuant to A.R.S. § 35-214, all books, accounts, reports, files and other records relating to this Charter shall be subject, at all reasonable times, to inspection and audit by the State for five years after termination of the Charter.

16. **Length of School Year:** The Charter Holder shall provide instruction for no less than the number of days required by statute or as stated in the Application, whichever is greater, and meet the minimum number of hours of instruction required by statute. The Charter Holder must provide instruction as stated in this paragraph within the State of Arizona's fiscal year that begins July 1st and ends June 30th.

17. **Termination or Non-Renewal of the Charter:** The Arizona State Board for Charter Schools may revoke or not renew the Charter for any material breach of the Charter and/or violation of state, federal or local laws, ordinances or rules or regulations; for conditions which threaten the health, safety, or welfare of the students or staff of the school or of the general public; or as provided by law.

18. **Employees and Contractors:** This Charter is not an employment contract. No officer, employee, agent, or subcontractor of the Charter Holder or the School is an officer, employee, or agent of the Arizona State Board for Charter Schools or the State of Arizona.

19. **Non-Discrimination**: As a required state contract provision, the Charter Holder shall comply with State Executive Order No. 2009-09, which mandates that all persons, regardless of race, color, religion, sex, age, national origin or political affiliation, shall have equal access to employment opportunities, and all other applicable federal and state employment laws, rules and regulations, including the Americans with Disabilities Act. The Charter Holder shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.

20. **Conflict of Interest:** Pursuant to A.R.S. §38-511, the State of Arizona ("State"), its political subdivisions or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions, or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political

subdivisions or any of the departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. A cancellation made pursuant to this provision shall be effective when the Charter Holder receives written notice of the cancellation unless the notice specifies a later time.

21. **Fingerprints:** The Charter Holder shall comply with the requirements of A.R.S. §15-183 (C).

    A. The Charter Holder shall fingerprint check its charter school governing body members pursuant to A.R.S. §15-512 and submit all changes in members through the process stated in Paragraph 10. A fingerprint check must be conducted for each new governing body member.

    B. The Charter Holder must maintain valid fingerprint clearance cards on all officers, directors, members, and partners of the Charter Holder and submit all changes in officers, directors, members, and partners through the process stated in Paragraph 10.

22. **Notices:** Any notice required, or permitted, under the Charter shall be in writing and shall be effective immediately upon personal delivery, upon receipt of electronic mail, or three (3) days after mailing to the following:

Charter Holder:
Michael Block
Charter Representative
BASIS School, Inc.
11485 North 136th Street, Suite 110
Scottsdale, AZ 85259

Arizona State Board for Charter Schools:
DeAnna Rowe
Executive Director
Arizona State Board for Charter Schools
P.O. Box 18328
Phoenix, AZ 85009

The Arizona State Board for Charter Schools may make changes in the address of its contact person by posting the change(s) on its website.

23. **Special Education Training:** Prior to the Charter Holder's provision of educational instruction under this Charter, the Charter Representative shall attend the full-day Special Education Training for Newly Chartered Schools sponsored by the Arizona Department of Education, Exceptional Student Services.

24. **Release of Funding:** A Charter Holder may not receive state equalization funding until a current certificate of occupancy, fire inspection report, and county health permit for educational use are provided for each site listed in Paragraph 6 (and each site subsequently approved by the Arizona State Board for Charter Schools). A Charter Holder may not receive state equalization funding until documentation has been provided to the Arizona State Board for Charter Schools that the Charter Representative has attended the Special Education training stated in Paragraph 23.

BASIS SCHOOL, INC.

Executed this 30 day of SEPT 2013.

By _____
Michael Block, Charter Representative for BASIS School, Inc.

ARIZONA STATE BOARD FOR CHARTER SCHOOLS

Executed this 2nd day of October 2013.

By _____
DeAnna Rowe, Executive Director of the Arizona State Board for Charter Schools.

Exhibit D

Special Warranty Deed

* E RECORDING * Page 1 of 4
SEQUENCE: 20133530138
No. Pages: 4
12/19/2013 11:32 AM
F. ANN RODRIGUEZ, RECORDER
Recorded By: CML(e-recording)

First American Title

When recorded mail to:

Warren Charter Law, PLC
7702 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

NCS 632986
4\5

SPECIAL WARRANTY DEED

For the consideration of Ten and 00/100 Dollars, and other valuable considerations, EVERGREEN–STEAM PUMP, L.L.C., an Arizona limited liability company, the GRANTOR herein, does hereby convey to BASIS SCHOOLS, INC., an Arizona nonprofit corporation, the GRANTEE, the following described real property situate in Pima County, Arizona:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

SUBJECT TO all current taxes, assessments, patent reservations, and all covenants, conditions, restrictions, reservations, easements, declarations and other matters of record in the Official Records of Pima County, Arizona, or to which reference is made in such public records, any and all conditions, easements, encroachments, rights-of-way, or restrictions that a physical inspection or accurate survey of said real property would show, and the applicable zoning and use regulations of any municipality, county, state or the United States affecting said real property.

And the GRANTOR binds itself and its successors to warrant the title against its acts and none other, subject to the matters above set forth.

Dated this 11th day of December, 2013.

EVERGREEN-STEAM PUMP, L.L.C.,
an Arizona limited liability company
By: Evergreen-Oro Valley Partners, L.L.C.,
an Arizona limited liability company
Its: Administrative Member
By: Evergreen Development Company-2004, L.L.C.,
an Arizona limited liability company
Its: Manager
By: Evergreen Devco, Inc., a California corporation
Its: Manager

By: _____

Its: PRESIDENT

STATE OF ARIZONA)
)ss.
County of Maricopa)

On this the 12th day of December, 2013, before me, the undersigned Notary Public in and for said County and State, personally appeared Bruce Pomeroy, the President of Evergreen Devco, Inc., a California corporation, Manager of Evergreen Development Company-2004, L.L.C., an Arizona limited liability company, Manager of Evergreen-Oro Valley Partners, L.L.C., an Arizona limited liability company, Administrative Member of EVERGREEN–STEAM PUMP, L.L.C., an Arizona limited liability company, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the entity on behalf of which he acted, executed the instrument.

WITNESS my hand and official seal.

OFFICIAL SEAL
PEGGY DOANE
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires July 6, 2014

Peggy Doane
Notary Public

My Commission Expires:

July 6, 2014

Exhibit "A"

Legal Description

A PORTION OF LOT 1, FINAL PLAT OF STEAM PUMP VILLAGE PHASE 3, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF PIMA COUNTY, ARIZONA, RECORDED IN BOOK 64 OF MAPS, PAGE 95, LYING WITHIN THE NORTHEAST QUARTER OF SECTION 7 AND THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 12 SOUTH, RANGE 14 EAST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT AN ALUMINUM CAP STAMPED 36914 AT THE NORTHEAST CORNER OF SAID SECTION 7 FROM WHICH A STONE AT THE NORTH QUARTER CORNER OF SAID SECTION 7 BEARS NORTH 89 DEGREES 39 MINUTES 55 SECONDS WEST 2610.75 FEET;

THENCE NORTH 89 DEGREES 39 MINUTES 55 SECONDS WEST ALONG THE NORTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 7, A DISTANCE OF 399.49 FEET TO THE NORTHWEST LINE OF SAID LOT 1 AND THE POINT OF BEGINNING;

THENCE SOUTH 56 DEGREES 15 MINUTES 00 SECONDS WEST 71.86 FEET ALONG SAID NORTHWEST LINE TO A FOUND 1/2" REBAR WITH CAP STAMPED 31610;

THENCE SOUTH 54 DEGREES 00 MINUTES 00 SECONDS WEST 229.01 FEET CONTINUING ALONG SAID NORTHWEST LINE;

THENCE SOUTH 36 DEGREES 00 MINUTES 00 SECONDS EAST 220.03 FEET;

THENCE NORTH 54 DEGREES 00 MINUTES 00 SECONDS EAST 30.00 FEET;

THENCE SOUTH 36 DEGREES 00 MINUTES 00 SECONDS EAST 141.78 FEET TO THE SOUTHEASTERLY LINE OF SAID LOT 1;

THENCE NORTH 54 DEGREES 00 MINUTES 00 SECONDS EAST 37.57 FEET ALONG SAID SOUTHEASTERLY LINE TO A NAIL IN WASHER STAMPED 18214;

THENCE SOUTH 36 DEGREES 00 MINUTES 00 SECONDS EAST 4.33 FEET CONTINUING ALONG SAID SOUTHEASTERLY LINE TO A NAIL IN WASHER STAMPED 18214;

THENCE NORTH 54 DEGREES 00 MINUTES 00 SECONDS EAST 192.00 FEET CONTINUING ALONG SAID SOUTHEASTERLY LINE TO A NAIL IN TAG STAMPED 31610;

THENCE SOUTH 36 DEGREES 00 MINUTES 00 SECONDS EAST 4.67 FEET CONTINUING ALONG SAID SOUTHEASTERLY LINE TO A NAIL IN TAG STAMPED 31610;

THENCE NORTH 54 DEGREES 00 MINUTES 00 SECONDS EAST 161.75 FEET CONTINUING ALONG SAID SOUTHEASTERLY LINE TI A 1/2" REBAR WITH CAP STAMPED 31610;

THENCE NORTH 36 DEGREES 00 MINUTES 00 SECONDS WEST 125.07 FEET ALONG THE NORTHEASTERLY LINE OF SAID LOT 1 TO A NAIL IN WASHER STAMPED 18214 AND THE BEGINNING OF A NON-TANGENT CURVE CONCAVE TO THE SOUTHEAST THE RADIUS POINT OF WHICH BEARS SOUTH 20 DEGREES 01 MINUTES 16 SECONDS EAST 485.00 FEET;

THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 4 DEGREES 28 MINUTES 56 SECONDS AN ARC LENGTH OF 37.94 FEET TO A NAIL IN TAG STAMPED 31610;

THENCE NORTH 36 DEGREES 00 MINUTES 00 SECONDS WEST 230.62 FEET ALONG SAID NORTHEASTERLY LINE TO A 1/2" REBAR WITH CAP STAMPED 31610 AND THE NORTHWESTERLY LINE OF SAID LOT 1;

THENCE SOUTH 56 DEGREES 15 MINUTES 00 SECONDS WEST 83.72 FEET ALONG SAID NORTHWESTERLY LINE TO THE POINT OF BEGINNING.

AFFIDAVIT OF PROPERTY VALUE

(a) County of Recordation: PIMA
(b) Date of Recording: 12/19/2013
(c) Fee/Recording Number: 20133530138

1. ASSESSOR'S PARCEL IDENTIFICATION NUMBER(S)
Primary Parcel: 220-08-4630 7 - X
BOOK MAP PARCEL SPLIT
Does this sale include any parcels that are being split / divided?
Check one: Yes [X] No [ ]
How many parcels, other than the Primary Parcel, are included in this sale? 0
Please list the additional parcels below (attach list if necessary):
(1) (2)
(3) (4)

2. SELLER'S NAME AND ADDRESS:
Evergreen-Steam Pump, LLC
2390 E. Camelback Rd., Ste. 410
Phoenix, AZ 85016

3. (a) BUYER'S NAME AND ADDRESS:
Basis Schools, Inc
7975 N. Hayden Rd., Ste B-100
Scottsdale, AZ 85258

(b) Are the Buyer and Seller related? Yes [ ] No [X]
If Yes, state relationship:

4. ADDRESS OF PROPERTY:
Ptn. of Lot 1, Steam Pump Village, Phase 3
Oro Valley, AZ

5. MAIL TAX BILL TO:
Basis Schools, Inc
7975 N. Hayden Rd., Ste B-100
Scottsdale, AZ 85258

6. PROPERTY TYPE (for primary parcel): NOTE: Check Only One Box
a. [X] Vacant land
b. [ ] Single Family Residence
c. [ ] Condo or Townhouse
d. [ ] 2-4 Plex
e. [ ] Apartment Building
f. [ ] Commercial or Industrial Use
g. [ ] Agriculture
h. [ ] Mobile or manufactured Home [ ] Affixed [ ] Not Affixed
i. [ ] Other Use; Specify:

7. RESIDENTIAL BUYER'S USE: If you checked **b, c, d** or **h** in Item 6 above, please check one of the following:
[ ] To be used as a primary residence.
[ ] Owner occupied, not a primary residence.
[ ] To be rented to someone other than a "family member".
See reverse side for definition of a "primary residence" or "family member."

8. If you checked **e** or **f** in Item 6 above, indicate the number of units: ____
For Apartments, Motels / Hotels, Mobile Home / RV Parks, etc.

9. TYPE OF DEED OR INSTRUMENT (Check Only One Box):
a. [ ] Warranty Deed
b. [X] Special Warranty Deed
c. [ ] Joint Tenancy Deed
d. [ ] Contract or Agreement
e. [ ] Quit Claim Deed
f. [ ] Other:

10. **SALE PRICE:** $ 1,536,900.00 00

11. DATE OF SALE (Numeric Digits): 1 0 / 1 3
Month/Year

12. DOWN PAYMENT $ 00

13. METHOD OF FINANCING:
a. [ ] Cash (100% of Sale Price)
b. [ ] Barter or trade
c. [ ] Assumption of existing loan(s)
d. [ ] Seller Loan (Carryback)
e. [ ] New loan(s) from Financial Institution:
(1) [ ] Conventional
(2) [ ] VA
(3) [ ] FHA
f. [X] Other financing; Specify: Bond Financing

14. PERSONAL PROPERTY (see reverse side for definition):
(a) Did the Sale Price in Item 10 include Personal Property that impacted the Sale Price by 5 percent or more? Yes [ ] No [X]
(b) If Yes, provide the dollar amount of the Personal Property:
$ 00 AND
briefly describe the Personal Property: N/A

15. PARTIAL INTEREST: If only a partial ownership interest is being sold, briefly describe the partial interest:

16. SOLAR / ENERGY EFFICIENT COMPONENTS:
(a) Did the Sale Price in Item 10 include solar energy devices, energy efficient building components, renewable energy equipment or combined heat and power systems that impacted the Sale Price by 5 percent or more? Yes [ ] No [X]
If Yes, briefly describe the solar / energy efficient components:

17. PARTY COMPLETING AFFIDAVIT (Name, Address, Phone Number):
First American Title Insurance Company National Commercial Services
2425 E. Camelback Road, Suite 300
Phoenix, AZ 85016
NCS-632986-PHX1 (sfh) Phone (602)567-8100

18. LEGAL DESCRIPTION (attach copy if necessary):
See Exhibit "A" attached hereto

THE UNDERSIGNED BEING DULY SWORN, ON OATH, SAYS THAT THE FOREGOING INFORMATION IS A TRUE AND CORRECT STATEMENT OF THE FACTS PERTANING TO THE TRANSFER OF THE ABOVE DESCRIBED PROPERTY.

Signature of Seller / Agent
State of Arizona, County of ~~Pima~~ Maricopa
Subscribed and sworn to before me on this 17 day of December 20 1 3
Notary Public Peggy Doane
Notary Expiration Date July 6, 2014

Signature of Buyer / Agent
State of Arizona, County of Pima
Subscribed and sworn to before me on this 19 day of December 20 1 3
Notary Public
Notary Expiration Date June 19 2015

13
DOR FORM 82162 (08/2012)

OFFICIAL SEAL
PEGGY DOANE
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires July 6, 2014

SARAH ANNE BUVALA
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 19, 2015

EXHIBIT "A"

A PORTION OF LOT 1, FINAL PLAT OF STEAM PUMP VILLAGE PHASE 3, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF PIMA COUNTY, ARIZONA, RECORDED IN BOOK 64 OF MAPS, PAGE 95, LYING WITHIN THE NORTHEAST QUARTER OF SECTION 7 AND THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 12 SOUTH, RANGE 14 EAST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT AN ALUMINUM CAP STAMPED 36914 AT THE NORTHEAST CORNER OF SAID SECTION 7 FROM WHICH A STONE AT THE NORTH QUARTER CORNER OF SAID SECTION 7 BEARS NORTH 89 DEGREES 39 MINUTES 55 SECONDS WEST 2610.75 FEET;

THENCE NORTH 89 DEGREES 39 MINUTES 55 SECONDS WEST ALONG THE NORTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 7, A DISTANCE OF 399.49 FEET TO THE NORTHWEST LINE OF SAID LOT 1 AND THE POINT OF BEGINNING;

THENCE SOUTH 56 DEGREES 15 MINUTES 00 SECONDS WEST 71.86 FEET ALONG SAID NORTHWEST LINE TO A FOUND 1/2" REBAR WITH CAP STAMPED 31610;

THENCE SOUTH 54 DEGREES 00 MINUTES 00 SECONDS WEST 229.01 FEET CONTINUING ALONG SAID NORTHWEST LINE;

THENCE SOUTH 36 DEGREES 00 MINUTES 00 SECONDS EAST 220.03 FEET;

THENCE NORTH 54 DEGREES 00 MINUTES 00 SECONDS EAST 30.00 FEET;

THENCE SOUTH 36 DEGREES 00 MINUTES 00 SECONDS EAST 141.78 FEET TO THE SOUTHEASTERLY LINE OF SAID LOT 1;

THENCE NORTH 54 DEGREES 00 MINUTES 00 SECONDS EAST 37.57 FEET ALONG SAID SOUTHEASTERLY LINE TO A NAIL IN WASHER STAMPED 18214;

THENCE SOUTH 36 DEGREES 00 MINUTES 00 SECONDS EAST 4.33 FEET CONTINUING ALONG SAID SOUTHEASTERLY LINE TO A NAIL IN WASHER STAMPED 18214;

THENCE NORTH 54 DEGREES 00 MINUTES 00 SECONDS EAST 192.00 FEET CONTINUING ALONG SAID SOUTHEASTERLY LINE TO A NAIL IN TAG STAMPED 31610;

THENCE SOUTH 36 DEGREES 00 MINUTES 00 SECONDS EAST 4.67 FEET CONTINUING ALONG SAID SOUTHEASTERLY LINE TO A NAIL IN TAG STAMPED 31610;

THENCE NORTH 54 DEGREES 00 MINUTES 00 SECONDS EAST 161.75 FEET CONTINUING ALONG SAID SOUTHEASTERLY LINE TI A 1/2" REBAR WITH CAP STAMPED 31610;

THENCE NORTH 36 DEGREES 00 MINUTES 00 SECONDS WEST 125.07 FEET ALONG THE NORTHEASTERLY LINE OF SAID LOT 1 TO A NAIL IN WASHER STAMPED 18214 AND THE BEGINNING OF A NON-TANGENT CURVE CONCAVE TO THE SOUTHEAST THE RADIUS POINT OF WHICH BEARS SOUTH 20 DEGREES 01 MINUTES 16 SECONDS EAST 485.00 FEET;

THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 4 DEGREES 28 MINUTES 56 SECONDS AN ARC LENGTH OF 37.94 FEET TO A NAIL IN TAG STAMPED 31610;

THENCE NORTH 36 DEGREES 00 MINUTES 00 SECONDS WEST 230.62 FEET ALONG SAID NORTHEASTERLY LINE TO A 1/2" REBAR WITH CAP STAMPED 31610 AND THE NORTHWESTERLY LINE OF SAID LOT 1;

THENCE SOUTH 56 DEGREES 15 MINUTES 00 SECONDS WEST 83.72 FEET ALONG SAID NORTHWESTERLY LINE TO THE POINT OF BEGINNING.

Exhibit E

Property Tax Notices

PIMA COUNTY TREASURER'S OFFICE

Beth Ford, CPA
Pima County Treasurer

240 North Stone Avenue
Tucson AZ, 85701-1199
(520) 724-8341

NOTICE OF PAST DUE REAL ESTATE TAXES

BASIS SCHOOLS INC
7975 N HAYDEN RD STE B100
SCOTTSDALE AZ 85258-3276

BOOK	MAP	PARCEL	PROPERTY DESCRIPTION
220	08	4710	STEAM PUMP VILLAGE PHASE 3 RESUB #1 LOT 8 SQ20141350056

Pursuant to Arizona Revised Statute 42-18106 you are hereby notified that the property described above, listed on the tax roll of Pima County, Arizona, has delinquent taxes, interest and fees in the amount stated below. THIS TAX LIEN WILL BE SUBJECT TO SALE IN **FEBRUARY 2019** UNLESS PAID PRIOR TO THAT DATE. A lien may have been previously sold if these taxes have been subject to a prior tax lien sale.

Certificate Number or Tax Year(s)	Amount
1703571	$236,316.57
TOTAL AMOUNT DUE IF PAID BY **JANUARY 31, 2019**:	**$236,316.57**

THERE WILL BE A $25 CHARGE FOR EACH RETURNED CHECK
AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS

www.to.pima.gov · Fax (520) 724-4809

DETATCH AND RETURN WITH PAYMENT

DELINQUENT TAX PAYMENT

BASIS SCHOOLS INC

IF PAID BY **JANUARY 31, 2019**
TOTAL AMOUNT DUE **$236,316.57**

220 08 4710

Payments postmarked after the above date will accrue additional interest. (ARS 42-18052 and ARS 42-18053)

Print the above State Code # on your check.
Payment in U.S. FUNDS ONLY.
Make Checks Payable to:
PIMA COUNTY TREASURER

Beth Ford, Pima County Treasurer
Pima County Treasurer's Office
240 North Stone Ave
Tucson, AZ 85701-1199

☐ Would you like a receipt? Check here.

3498

PIMA COUNTY TREASURER'S OFFICE

Beth Ford, CPA
Pima County Treasurer

240 North Stone Avenue
Tucson AZ, 85701-1199
(520) 724-8341

NOTICE OF PAST DUE REAL ESTATE TAXES

BASIS SCHOOLS INC
7975 N HAYDEN RD STE B100
SCOTTSDALE AZ 85258-3276

BOOK	MAP	PARCEL	PROPERTY DESCRIPTION
220	08	463B	

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Certificate Number or Tax Year(s)	Amount
1604229	$25,015.49
TOTAL AMOUNT DUE IF PAID BY **OCTOBER 31, 2019:**	**$25,015.49**

RECEIVED
OCT 08 2019
BY: KH.
MAIL

THERE WILL BE A $25 CHARGE FOR EACH RETURNED CHECK
AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS

www.to.pima.gov · Fax (520) 724-4809

DETATCH AND RETURN WITH PAYMENT

DELINQUENT TAX PAYMENT

IF PAID BY **OCTOBER 31, 2019**
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BASIS SCHOOLS INC

220 08 463B

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Payment in U.S. FUNDS ONLY.
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PIMA COUNTY TREASURER

Beth Ford, Pima County Treasurer
Pima County Treasurer's Office
240 North Stone Ave
Tucson, AZ 85701-1199

☐ Would you like a receipt? Check here.

Exhibit F

BASIS Schools' Letter to Pima County Assessor

WARREN CHARTER LAW
PLC

February 28, 2019

VIA UPS NEXT DAY

Ms. Grace Gutierrez
Pima County Assessor, Exemption Section
240 North Stone Avenue
Tucson, Arizona 85701

RE: BASIS Charter Schools, Inc. – Notice of Past Due Real Estate Taxes

Dear Ms. Gutierrez:

This firm represents BASIS Charter Schools, Inc. ("BASIS," formerly known as BASIS Schools, Inc.). I have received emails from my client relating to five parcels of land in Pima County, Arizona. I will address each parcel with a separate letter. This letter addresses Pima County Assessor parcel number 220-08-4710, located at 11129 North Oracle Road, Oro Valley, Arizona (the "Property").

A notice from the Pima County Treasurer's Office, enclosed for your reference, indicates that the Property has delinquent taxes and is subject to sale if the taxes are not paid immediately. Further, in a phone call on February 5, 2019, the Pima County Assessor's Office advised BASIS that a lien for this Property has been sold and the Property is subject to foreclosure in February of 2020.

We are confused by the continued assertion (through notices such as the one enclosed) that taxes are owed and delinquent and alarmed by the reported lien sale because, as you know, BASIS is a tax-exempt, nonprofit corporation that operates charter schools in Arizona. Under applicable Arizona law, specifically, A.R.S. §42-11104.C, "Property and buildings, including land, improvements, furniture and equipment, that are owned by a nonprofit organization that is recognized under section 501(c)(3) of the internal revenue code and that operates as: 1. A charter school pursuant to section 15-183 are ***exempt from taxation beginning on the date the nonprofit organization acquires ownership of the property*** and buildings if the property and buildings are used for education and are not used or held for profit" (emphasis added).

BASIS acquired the Property on December 19, 2013. BASIS has used the Property for educational purposes since the date of acquisition. BASIS filed an application for property tax exemption for the Property, enclosed for your reference, requesting property tax exemption from and after December 19, 2013. Accordingly, the Property should be, and BASIS understood that it has been, property tax exempt on and after December 19, 2013. Despite communications with the Assessor as well as an express reference on the Pima County Assessor's website to a new BASIS school serving students in kindergarten through fifth grade on the Property, attempts to collect taxes continue and have now escalated to the sale of a lien.

Based upon our understanding that the Property is property tax exempt, we do not understand how there could still be delinquent taxes on the Property, why the treasurer would continue to issue past due notices for real estate taxes or why the treasurer would have sold a tax lien related to the Property. Please contact me to discuss the issue so that we can resolve this error.

7702 East Doubletree Ranch Road, Suite 300 | Scottsdale, Arizona 85258 | 480.222.2045 | 866.790.1797 | FAX 480.222.2044
www.warrencharterlaw.com

Thank you for your prompt attention to this matter.

Sincerely,

Terry Warren

Enclosures
cc: Bill Driscoll, BASIS Charter Schools, Inc.

PIMA COUNTY TREASURER'S OFFICE

Beth Ford, CPA
Pima County Treasurer

240 North Stone Avenue
Tucson AZ, 85701-1199
(520) 724-8341

NOTICE OF PAST DUE REAL ESTATE TAXES

BASIS SCHOOLS INC
7975 N HAYDEN RD STE B100
SCOTTSDALE AZ 85258-3276

BOOK	MAP	PARCEL	PROPERTY DESCRIPTION
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Certificate Number or Tax Year(s)	Amount
1703571	$236,316.57
TOTAL AMOUNT DUE IF PAID BY **JANUARY 31, 2019**:	**$236,316.57**

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AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS

www.to.pima.gov · Fax (520) 724-4809

DETATCH AND RETURN WITH PAYMENT

DELINQUENT TAX PAYMENT

BASIS SCHOOLS INC

IF PAID BY **JANUARY 31, 2019**
TOTAL AMOUNT DUE **$236,316.57**

220 08 4710

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Payment in U.S. FUNDS ONLY.
Make Checks Payable to:
PIMA COUNTY TREASURER

Beth Ford, Pima County Treasurer
Pima County Treasurer's Office
240 North Stone Ave
Tucson, AZ 85701-1199

☐ Would you like a receipt? Check here.

3498

WARREN CHARTER LAW
PLC

December 28, 2015

Ms. Grace Gutierrez
Pima County Assessor
Exemption Section
240 North Stone Avenue
First Floor
Tucson, Arizona 85701

RE: BASIS School, Inc.: Application for Property Tax Exemption

Dear Ms. Gutierrez:

Please find attached the Property Tax Exemption Claim Form for BASIS School, Inc. ("BASIS") for parcel number 220-08-4710 located at 11129 North Oracle Road in Oro Valley, Arizona. BASIS is an Arizona nonprofit corporation that has been granted federal tax exempt status under Internal Revenue Code Section 501(c)(3). BASIS' specific use of the parcel is the operation of an Arizona public charter school for grades kindergarten through 5.

BASIS purchased and took possession of the property on December 19, 2013.

Pursuant to A.R.S. §42-11104, the enclosed Claim Form, the attached supporting documents and this letter of specific intent, BASIS respectfully requests that the Pima County Assessor's Office - Exemptions Division grant BASIS a complete tax exemption on the above-named property from December 19, 2013 and continuing for so long as BASIS owns the property.

Please contact me if you have any questions. Thank you.

Sincerely,

Terry D. Warren

Terry D. Warren

Enclosures

7702 East Doubletree Ranch Road, Suite 300 | Scottsdale, Arizona 85258 | 480.222.2045 | 866.790.1797 | FAX 480.222.2044
www.warrencharterlaw.com

QUESTIONNAIRE FOR PROPERTY TAX EXEMPTION APPLICATION

1. Name & Address of Non-Profit or Religious organization:
BASIS Schools, Inc., 11129 N. Oracle Road, Oro Valley, Arizona 85737

2. From which subsection of **Title 42, Chapter 11, Article 3-Exemptions** do you base your claim for exemption? §42-11104

   (Arizona Revised Statutes can be found at: www.azleg.gov)

3. Are there any type of business activities such as snack bars, cafés or restaurants operating on the premises? No

4. Is the organization exempt from Federal and/or State income taxes? Yes

5. Give day, month, and year deed/title was acquired by applicant. 12-19-2013

6. Claimant is: Owner/Operator X Owner only_____ Operator only_____

7. Exemption is claimed on:
   All land X Buildings & Improvements X Personal Property X

8. Is any portion of the property used as a place of residence? No
   If yes, state number of individuals occupying the premises and the duration of the occupancy:

9. Does applicant receive any income? (other than free will offerings in connection with this property) Yes, education equalization payments from the State of Arizona for educating public charter school students.

10. Is any portion of the property being leased or rented to a non-profit and/or a for- profit organization(s)? Yes_____ No X. If yes, please list the name(s) of the organization(s)

11. List date of occupancy: Day 19 Month 12 Year 2013

IRS DETERMINATION LETTER

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: NOV 1 8 1998

BASIS SCHOOL, INC.
6740 CALLE DE CALIPSO
TUCSON, AZ 85718-2089

Employer Identification Number:
86-0908854
DLN:
17053232021008
Contact Person:
EO CUSTOMER SERVICE
Contact Telephone Number:
(213) 894-2289
Accounting Period Ending:
December 31
Form 990 Required:
yes
Addendum Applies:
no

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in sections 509(a)(1) and 170(b)(1)(A)(ii).

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. In the case of an amendment to your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, you should inform us of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, if you are involved in an excess benefit transaction, that transaction might be subject to the excise taxes of section 4958. Additionally, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please contact your key district office.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of Code sections 2055, 2106, and 2522.

Contribution deductions are allowable to donors only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not

necessarily qualify as deductible contributions, depending on the circumstances. See Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, which sets forth guidelines regarding the deductibility, as charitable contributions, of payments made by taxpayers for admission to or other participation in fundraising activities for charity.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt From Income Tax. If Yes is indicated, you are required to file Form 990 only if your gross receipts each year are normally more than $25,000. However, if you receive a Form 990 package in the mail, please file the return even if you do not exceed the gross receipts test. If you are not required to file, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally $25,000 or less, and sign the return.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of $20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed $10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding $1,000,000 in any year, the penalty is $100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding $1,000,000 shall not exceed $50,000. This penalty may also be charged if a return is not complete, so be sure your return is complete before you file it.

You are required to make your annual return available for public inspection for three years after the return is due. You are also required to make available a copy of your exemption application, any supporting documents, and this exemption letter. Failure to make these documents available for public inspection may subject you to a penalty of $20 per day for each day there is a failure to comply (up to a maximum of $10,000 in the case of an annual return).

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

In accordance with section 508(a) of the Code, the effective date of this determination letter is March 24, 1998.

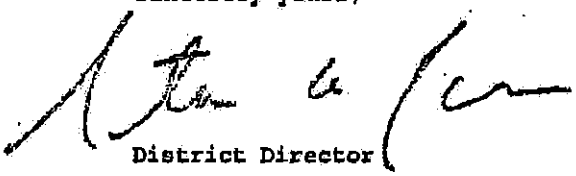
BASIS SCHOOL, INC.

If we have indicated in the heading of this letter that an addendum applies, the enclosed addendum is an integral part of this letter.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,



District Director

BYLAWS

BYLAWS

OF

BASIS SCHOOL, INC.
An Arizona Nonprofit Corporation

ARTICLE 1

OFFICES AND CORPORATE SEAL

1.1 **Principal Office.** The principal office of the Basis School, Inc., an Arizona nonprofit corporation (the "Corporation") shall be its known place of business in Tucson, Arizona

1.2 **Offices.** The Corporation also may maintain offices at such other place or places, either within or without the State of Arizona, as may be designed from time to time by the Board of Directors and the business of the Corporation may be transacted and such other offices with the same effect as that conducted at the principal office.

1.3 **Corporate Seal.** A corporate seal shall not be requisite to the validity of any instrument executed by or on behalf of the Corporation, but one may be used if the officers or the Board of Directors so decide.

ARTICLE 2

PURPOSES

2.1 **Charitable Purposes.** The purposes for which the Corporation is formed are those set forth in its Articles of Incorporation, initially being organized exclusively for educational purposes within the meaning of Section 501 (c) (3) of the Internal Revenue Code of 1986, or the corresponding provisions of any future United States Internal Revenue Laws.

2.2 **Schools; School Boards; Advisory Boards; and Oversight Committees** Among its activities, the Corporation will develop and operate one or more schools, either within or without the State of Arizona. Each such school shall be provided with such means of oversight and direction as the Corporation's Board of Directors may prescribe from time to time, which may include School Boards or advisory or oversight committees established and appointed by the Board of Directors, and operating under such regulation of authorities and duties as the Board of Directors may provide.

2.2.1 **Arizona Charter Schools.** For such of the schools as are charter schools within the meaning of Arizona Revised Statutes section 15-183, the foregoing provisions of this section 2.2 are modified as follows: each such school holding a separate charter in Arizona shall be provided with a separate School Board consisting of not less than seven (7) voting members, which School Board shall constitute the governing body for the charter school that is responsible for the policy decisions of the charter school, within the meaning of A.R.S. 15-183, subd. E.8. Both voting and non-voting members of such School Boards shall be appointed by the Corporation's Board of Directors, for such terms and upon such conditions as the Directors may establish; provided, however, that not more than three (3) of the voting members of any one such School Board may simultaneously be members of the Corporation's Board of Directors; and provided further that, notwithstanding such terms and conditions, or other provisions as may be adopted to regulate such School Boards by the Corporation's Board of Directors, each such

School Board shall retain the responsibility for the policy decisions of its respective charter school within the meaning of A.R.S. 15-183, subd. E.8. Meetings of such School Boards shall be conducted in accordance with the applicable provisions of the Arizona public meeting law.

2.3 **Dividends Prohibited**. The Corporation is not formed for pecuniary or financial gain, and no part of the assets, income, or profit of the Corporation is distributable to, or will inure to the benefit of, its directors or officers or other private individual; provided, however, that nothing contained herein shall be construed to prevent the payment of reasonable compensation for services actually rendered by employees, officers or directors of the Corporation and reimbursement of expenses incurred in connection therewith.

ARTICLE 3

MEMBERSHIP

The Corporation will not have members.

ARTICLE 4

DIRECTORS

4.1 **Number; Chairman**. The board of directors shall consist of not less than three (3) persons nor more than nine (9) persons as determined by the board. The directors may choose from among their number a Chairman of the Board, who shall preside at the meetings of the board.

4.2 **Vacancies**. Vacancies and newly created directorship resulting from any increase in the authorized number of directors may be filled by the affirmative vote of a majority of remaining directors then in office, though not less that a quorum; or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and qualified, unless sooner replaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute,

4.3 **Powers**. The business and affairs of the Corporation shall be managed by its Board of Directors.

4.4 **Place of Meeting**. The Board of Directors of the Corporation may hold meetings, both regular, and special, either within or without the State of Arizona. Such may be held by mean of conference telephone or similar communications equipment by means of which all persons participation in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

4.5 **Annual Meeting**. The annual meeting of the board of directors shall be held before July 1 or at such other date and time as shall be designated by the Board of Directors and

stated in the notice of meeting. Notice to the current Board of Directors of each annual meeting shall be given by the secretary by mail, telephone, e-mail or telegram and shall be given at least ten (10) days and not more than fifty (50) days prior to such meeting. At the annual meeting, the current Board of Directors shall elect successor directors who shall immediately assume duties as directors. No notice shall be necessary to the newly constituted Board of Directors in order for the meeting legally to constitute the annually meeting, provided that the quorum of the newly constructed Board of Directors shall be present. At its annual meeting, the newly constructed Board of Directors shall elect the officers of the Corporation and may transact any other business, which may properly come before it. If a quorum of the newly constructed Board of Directors is not present, the annual meeting will be held as soon as practicable after the new directories are elected.

4.6 **Regular Meetings**. Regular meetings or the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board.

4.7 **Special Meetings**. Special meetings of the Board may be called by the president or Chairman of the Board or the secretary on ten (10) days notice to each director, either personally, by e-mail, by mail, by telegram or by telephone. Special meetings shall be called by the president or secretary in like manner and on like notice on the written request of any director, The time and place of each special meeting shall be determined by the president, but in the case of meeting called upon the request of a director the time of such meeting shall be no later than the expiration of a ten (10) day period following the date of such request or such longer period as may be specified in the request.

4.8 **Quorum**. A majority of the membership of the Board of Directors shall constitute a quorum and the concurrence of a majority of those present shall be sufficient to conduct the business of the Board, except as may be otherwise specifically provided by statute or by the Articles of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors then present may adjourn the meeting to another time or place, without a notice other than announcement at the meeting, until a quorum shall be present.

4.9 **Action without Meeting**. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

4.10 **Waiver Notice**. Attendance by a director at a meeting shall constitute waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any director may waive notice of any annual, regular or special meeting of directors by executing a written notice of waiver either before or after the time of the meeting.

4.11 **Compensation**. The amount or rate of such compensation of members of the Board of Directors or of committees shall be established by the Board of Directors and shall be set forth in the minutes of the board.

ARTICLE 5

OFFICERS

5.1 **Designation of Titles**. The officers of the Corporation shall be chosen by the Board of Directors and shall be a president, a secretary and a treasurer. The Board of Directors also may choose one or more vice presidents, one or more assistant secretaries and assistant treasurers and an Executive Director, Any number of offices, except the offices of president and secretary may be held by the same person, unless the Articles of Incorporation or these Bylaws provide otherwise.

5.2 **Appointment of Officers.** The Board or Directors at each annual meeting shall elect a president, a secretary and a treasurer, each of whom shall serve at the pleasure of the Board of Directors. The Board of Directors at any time may appoint such other officers and agents as it shall deem necessary to hold office at the pleasure of the Board of Directors and to exercise such powers and performs such duties as shall be determined from time to time by the board

5.3 **Salaries** The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented form receiving such salary by reason of the fact that he is also a director of the Corporation.

5.4 **Term.** The officers of the Corporation shall hold office until their successors are chosen and qualify on their stead. Any officer elected by the Board of directors may be removed at any time by the board of directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

5.5 **President**. The president shall function as the Chief Executive Officer of the Corporation. He or she shall sign all deeds and conveyances, all contracts and agreements and all other instruments requiring execution on the behalf of the Corporation, and shall act as operating and directing head of the Corporation, and all of its constituent activities, including the operation of BASIS schools, subject to the general management of the Corporation's Board of Directors and to policies, procedures, and limitations established by the Board of Directors in these by-laws or otherwise. In the absence of the Chairman of the Board, the President shall preside at all meetings of the Board of Directors.

5.6 **Secretary.** The secretary shall see that the minutes of all meetings of the Board of Directors and of any standing committees are kept. He or she shall be the custodian of the corporate seal and shall affix it to all proper instruments when deemed advisable by him or her or when instructed by the Board. He or she shall give or cause to be given required notices of all meetings of the Board of Directors. He or She shall have charge of all books and records of the Corporation, except the books of account, and in general shall perform all duties incident to the office of secretary of a corporation and such other duties as may be assigned to him or her by the Board of Directors.

5.7 **Treasurer.** The treasurer shall have general custody of all the funds and securities of the Corporation. He or she shall see to the deposit of the funds of the Corporation in such bank or banks as the Board of Directors may designate. Regular books of account shall be kept under his direction and supervision, and he or she shall render financial statements to the president and

Directors at proper times. The treasurer shall have charge of the preparation and filing of such reports, financial statements and returns as may be required by law. He or she shall give to the Corporation such fidelity bond as may be required by the Board and the premium paid by the Corporation as an operating expense. He or she shall see that the Corporation properties are adequately insured against liability.

ARTICLE 6

COMMITTEES OF DIRECTORS

The Board of Directors may, by resolution passed by a majority of the whole Board designate one (1) or more committees, to consist of two (2) or more members of the Directors of the Corporation. Any such committee, to the extent provided in the resolution, and as otherwise restricted by law, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that in the absence of disqualification of any member of such committee or committees, the member or members thereof present at any meeting not disqualified from voting, whether or not he or she or they constitute a quorum, may unanimously appoint another of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

ARTICLE 7

NONDISCRIMINATION POLICY STATEMENT

It shall be the policy of the Corporation and of any school operated by the Corporation that such school shall admit students of any race, color, national, and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at such school. No school shall discriminate on the basis of race, color, national and ethnic origin in administration of its educational policies, admissions policies, scholarship and loan programs, and athletic and other school- administered programs. The Corporation shall make its nondiscrimination policy known to all segments of the general community served by the schools at least annually, strictly in accordance with the broad dissemination standards as set forth by relevant publication of the Internal Revenue Service; and shall further strive to include notice of its said policy in all brochures, catalogues and advertising dealing with student admissions, program, and scholarships. The Corporation shall monitor compliance with said policy to ensure its application to the Corporation's activities, and shall also keep records concerning the racial composition of its student body, faculty, and staff, as well as its racially nondiscriminatory policy, including records of the publication of that policy, in accordance with the requirements of the Internal Revenue Service.

ARTICLE 8

REPEAL ALTERATION OR AMENDMENT

These Bylaws may be repealed, altered or amended, or substitute Bylaws may be adopted at any time, only by a majority of the board of directors.

Dated this April 27, 2010

ARTICLES OF INCORPORATION

STATE OF ARIZONA

Office of the
CORPORATION COMMISSION

The Executive Director of the Arizona Corporation Commission does hereby certify that the attached copy of the following document:

ARTICLES OF AMENDMENT, 12/10/2012

consisting of 4 pages, is a true and complete copy of the original of said document on file with this office for:

BASIS SCHOOLS, INC.
ACC file number: -0835764-0

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission on this date: November 25, 2015.

Jodi A. Jerich, Executive Director

By: GEORGE MOYA

AZ CORP. COMMISSION
04095375

AZ CORPORATION COMMISSION
FILED

DEC 10 2012

FILE NO. 0835764-0

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF BASIS SCHOOL, INC.

(Including Name Change to "Basis Schools, Inc."

Pursuant to the provisions of Arizona Revised Statutes §§ 10-11006 and 10-11007, BASIS School, Inc., an Arizona nonprofit corporation, hereby adopts the following Amended and Restated Articles of Incorporation and certifies as follows:

1. The name of the corporation is "BASIS SCHOOL, INC."

2. The filing of these Amended and Restated Articles of Incorporation includes a name change for the corporation to "Basis Schools, Inc."

3. The Amendment to the Articles of Incorporation of the corporation was filed with the Arizona Corporation Commission on April 14, 2004, at File No. 11665025030.

4. The Articles of Incorporation for the corporation are being amended and restated in their entirety as set forth in Exhibit "A" attached hereto and incorporated herein by this reference.

5. The Amended and Restated Articles of Incorporation were adopted by the board of directors of the corporation on November 14, 2012, in the manner prescribed by the Arizona Nonprofit Corporation Act. No other person or group has the right to vote on amendments or restatements of the Articles of Incorporation.

6. The Amended and Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments and/or restatements thereto in their entirety.

Dated: November 14, 2012

BASIS SCHOOL, INC.

By: Donald V. Budinger
Donald V. Budinger, Secretary

EXHIBIT "A"

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

BASIS SCHOOLS, INC.

The undersigned incorporator, desiring to form a nonprofit corporation under laws of the State of Arizona, hereby adopts the following Articles of Incorporation.

I.
Name and Place of Business

The name of the corporation shall be "BASIS SCHOOLS, INC." (referred to herein as the "Corporation"). The initial place of business and address for the Corporation will be 11485 North 136th Street, Suite 109, Scottsdale, AZ 85259, but it will establish other principal places of business and other offices at such other places, either within or without the State of Arizona, as the Board of Directors may from time to time determine.

II.
Purpose and Activities

This Corporation is a nonprofit organization organized and operated exclusively for charitable, educational, literary, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), or corresponding provision of any future federal tax laws. Within the meaning of Section 501(c)(3), the Corporation's primary mission is to provide its students with an academically excellent and rigorous liberal arts college preparatory education for elementary through high school grades in charter schools. The Corporation will operate multiple campuses both located inside and outside of Arizona. Except as otherwise provided in these Articles, the Corporation also may transact any and all lawful business for which nonprofit corporations may be organized under the laws of Arizona, as amended from time to time.

III.
Limitation on Activities

(a) No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article II hereof. No substantial part of the Corporation's activities shall be the carrying on of propaganda or otherwise attempting to influence legislation. The Corporation shall not participate in or intervene in (including the publishing or distribution of statements with respect to) any political campaign on behalf of or in opposition to any candidate for public office.

(b) It is intended that this Corporation shall have the status of a corporation which is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) and is other than a private foundation by reason of being described in Section

170(b)(1)(A)(ii) and/or 509(a)(1) or (2) of the Code. These Articles shall be construed accordingly, and all powers and activities of the Corporation shall be limited accordingly.

(c) Notwithstanding any other provision of these Articles, the Corporation shall not carry on any activities not permitted to be carried on by a corporation: (1) exempt from income tax under Section 501(c)(3) of the Code or corresponding provision of any future federal tax laws; (2) contributions to which are deductible for income tax purposes under Section 170(c)(2) of the Code or corresponding provision of any future federal tax laws; (3) bequests, legacies, devises, and transfers to which are deductible for estate tax purposes under Section 2055(a)(2) of the Code or corresponding provision of any future federal tax laws; or (4) gifts to which are deductible for gift tax purposes under Section 2522(a)(2) of the Code or corresponding provision of any future federal tax laws.

IV.
Board of Directors

The current Board of Directors consists of seven (7) directors. The number of directors and their manner of election will be governed by the Bylaws. The names and addresses of the persons who serve as the directors are:

Don Budinger
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Craig Barrett
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

John Morton
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Clint Bolick
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Terry Sarvas
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Michael K. Block
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Steve Twist
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

V.
Members

The Corporation shall have no members.

VI.
Limitation of Liability

The personal liability of a director of the Corporation, or of a person who serves on a board or council of the Corporation in an advisory capacity to the Corporation for money damages for any action taken or any failure to take action as a director is hereby eliminated to the fullest extent permitted by Arizona law as it now exists or hereafter may be amended. Any repeal or modification of this provision shall be prospective only, and shall not affect adversely any limitation on the personal liability of such person with respect to any act or omission occurring prior to the time of such repeal or modification.

VII.
Indemnification

To the fullest extent permitted by Arizona law as it now exists or hereafter may be amended, the Corporation shall indemnify every director, officer or agent of the Corporation against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, formal or informal, to which he or she is or was a party or is threatened to be made a party by reason of the fact that he or she is or was a director, officer, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, member or agent of another corporation or other entity. The foregoing rights of indemnification are limited as required by Arizona law, but shall be in addition to and not exclusive of all of the rights to which such persons may be entitled at law or otherwise. Any repeal or modification of this Article shall be prospective only and shall not adversely affect any indemnification rights of a director, officer or agent of the Corporation existing at the time of such repeal or modification.

VIII.
Dissolution

Upon dissolution of the Corporation, the Board of Directors, after making provision for the payment of all of the liabilities of the Corporation, shall arrange for the distribution of all of the assets of the Corporation exclusively for the tax-exempt purposes of the Corporation, by distribution to one or more organizations organized and operated exclusively for charitable, educational, literary, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code or corresponding provision of any future federal tax laws, as the Board of Directors shall determine. Any assets of the Corporation not so disposed of by the foregoing provisions shall be disposed of by the Superior Court of the County in which the principal office of the Corporation is then located, exclusively for the tax-exempt purposes of the Corporation or to such organization or organizations, as such Court shall determine, which are organized and operated exclusively for such purposes.

IX.
Statutory Agent

The name and address of the statutory agent is:

Terry Sarvas, Sarvas, Coleman, Edgell and Tobin P.C., 5050 N. 40th Street, Suite 310, Phoenix, AZ 85018-2153.

X.

Fiscal Year

The fiscal year for this Corporation shall be July 1 through June 30, unless otherwise fixed by a resolution of the Board of Directors.

FINANCIALS

BASIS SCHOOLS, INC.

Consolidated Financial Statements
and
Supplementary Information

Year Ended June 30, 2014

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Fester & Chapman P.C.

Certified
Public
Accountants

4001 North 3rd Street
Suite 275
Phoenix, AZ 85012-2086

Tel: (602) 264-3077
Fax: (602) 265-6241

Independent Auditors' Report

To the Board of Directors
BASIS Schools, Inc.
Scottsdale, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of BASIS Schools, Inc. and subsidiaries (the Firm), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of BDC, a Public Charter School, Inc. (BDC) and BTX Schools, Inc. (BTX), subsidiaries of the Firm, which statements reflect total assets constituting 2% of consolidated total assets, and total revenues and support constituting 20% of consolidated total revenues and support, as of and for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for BDC and BTX, is based solely on the reports of the other auditors. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit report and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BASIS Schools, Inc. and subsidiaries as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015 on our consideration of the Firm'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 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 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 the Firm's internal control over financial reporting and compliance.

Foster & Chapman P.C.

March 24, 2015

BASIS SCHOOLS, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS

Current assets:	
Cash and cash equivalents	$ 8,686,836
Due from government	5,318,289
Due from related parties	153,251
Other receivables	36,334
Prepaid expenses	352,855
Restricted cash, current	8,587,895
Total current assets	23,135,460
Noncurrent assets:	
Loan issuance costs, net of accumulated amortization of $501,029	5,371,308
Restricted cash, noncurrent	9,330,225
Property and equipment, net	120,570,570
Deposits	10,973
Total noncurrent assets	135,283,076
Total assets	$ 158,418,536

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:	
Accounts payable and accrued expenses	$ 1,540,284
Accrued payroll	2,238,457
Accrued construction costs	7,032,040
Deferred revenue	602,127
Due to related party	326,543
Deposits held for others	1,490,311
Current maturities of long-term debt	775,000
Total current liabilities	14,004,762
Long-term debt, net of current maturities	150,221,128
Total liabilities	164,225,890
Net assets (deficit):	
Unrestricted (deficit)	(8,244,687)
Temporarily restricted	2,437,333
Total net assets (deficit)	(5,807,354)
Total liabilities and net assets (deficit)	$ 158,418,536

The accompanying notes are an integral part of these statements.

BASIS SCHOOLS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
State Equalization	$ 49,262,785		$ 49,262,785
Federal grants	2,535,815		2,535,815
State grants	2,821,700		2,821,700
Extra-curricular activities contributions	2,863,050		2,863,050
Tax credit contributions		$ 439,289	439,289
Other contributions	1,005,620	2,587,294	3,592,914
Other revenue	302,559		302,559
Net assets released from restrictions	2,376,166	(2,376,166)	
Total revenue and support	61,167,695	650,417	61,818,112
Expenses and loss:			
Salaries and wages, leased employees	25,597,783		25,597,783
Payroll taxes and benefits, leased employees	4,841,516		4,841,516
Management fees	11,459,735		11,459,735
Legal fees	77,024		77,024
Accounting fees	94,073		94,073
Other service fees	2,522,215		2,522,215
Furniture and equipment	2,462,153		2,462,153
Information technology	217,938		217,938
Insurance	590,356		590,356
Travel	125,393		125,393
Advertising and promotion	49,492		49,492
Occupancy	1,814,282		1,814,282
Office expenses	1,264,237		1,264,237
Fundraising expense	93,465		93,465
Interest	8,456,244		8,456,244
Depreciation	4,881,299		4,881,299
Amortization	166,602		166,602
Loss on disposal of assets	62,828		62,828
Other expenses	1,331,682		1,331,682
Total expenses and loss	66,108,317		66,108,317
Change in net assets (deficit)	(4,940,622)	650,417	(4,290,205)
Net assets (deficit), beginning of year	(3,304,065)	1,786,916	(1,517,149)
Net assets (deficit), end of year	$ (8,244,687)	$ 2,437,333	$ (5,807,354)

The accompanying notes are an integral part of these statements.

BASIS SCHOOLS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

Cash flows from operating activities:	
Change in net assets (deficit)	$ (4,290,205)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:	
Depreciation	4,881,299
Amortization of loan issuance costs	166,602
Loss on disposal of assets	62,828
Changes in:	
Due from government	(1,712,733)
Due from related parties	(153,251)
Other receivables	10,593
Prepaid expenses	(284,029)
Deposits	1,025
Accounts payable and accrued expenses and payroll	1,610,332
Deferred revenue	540,149
Due to related party	(5,724)
Deposits held for others	109,161
Net cash provided by operating activities	936,047
Cash flows from investing activities:	
Net withdrawals from restricted cash	2,440,462
Purchases of property and equipment	(35,070,637)
Net cash used in investing activities	(32,630,175)
Cash flows from financing activities:	
Proceeds from loans	35,408,286
Principal payments on long-term debt	(535,000)
Net cash provided by financing activities	34,873,286
Net increase in cash and cash equivalents	3,179,158
Cash and cash equivalents, beginning of year	5,507,678
Cash and cash equivalents, end of year	$ 8,686,836
Supplemental disclosures	
Cash paid during the year for interest expensed	$ 8,456,244
Cash paid during the year for interest capitalized	$ 1,084,050
Loan proceeds paid directly for prepaid interest and issuance costs	$ 2,821,741

The accompanying notes are an integral part of these statements.

BASIS Schools, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS Schools, Inc. (the Firm), an Arizona not-for-profit organization, was formed in fiscal year 1998-99. The Firm provides educational services to students in kindergarten through twelfth grades. The Firm operates under charter contracts with the Arizona State Board for Charter Schools, which mandates policy and operational guidelines. Each school operates under its respective charter contract with the Arizona State Board for Charter Schools and is funded primarily through State Equalization assistance. BDC, a Public Charter School, Inc. (BDC) is a separate 501(c)(3) corporation established in the District of Columbia in fiscal year 2011-12, whose sole member/owner is the Firm. BTX Schools, Inc. (BTX) is a separate 501(c)(3) corporation established in Texas in fiscal year 2011-12, whose sole member/owner is the Firm. To efficiently manage the schools, the Firm entered into a management services agreement with BASIS Educational Group Inc. (BASIS.ed, a related party) on June 25, 2009.

The Firm has campuses at the following locations:

School Name	First Year of Service	Grades served in 2013-2014
BASIS School, Tucson	1998-99	K-6
BASIS School, Scottsdale	2003-04	5-12
BASIS School, Oro Valley	2010-11	5-12
BASIS School, Chandler	2011-12	5-12
BASIS School, Flagstaff	2011-12	5-12
BASIS School, Peoria	2011-12	5-12
BASIS School, Tucson North	2012-13	5-12
BASIS School, Phoenix	2012-13	5-11
BASIS School, Ahwatukee	2013-14	5-10
BASIS School, Mesa	2013-14	5-10
BDC	2012-13	5-9
BTX	2013-14	5-8

The significant accounting policies of the Firm are as follows:

Principles of Consolidation: Generally accepted accounting principles require the Firm to consolidate entities in which it has control and an economic interest when that control is evidenced through majority ownership or voting interests. The Firm is the sole member/owner of BDC and BTX, therefore consolidation is required. The consolidated financial statements include the accounts of the Firm, BDC and BTX. All significant inter-organization balances and transactions have been eliminated in consolidation.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*. The Firm is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Firm does not have any permanently restricted net assets at June 30, 2014.

Use of Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions: The Firm follows the FASB ASC subtopic of *Revenue Recognition* for *Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support based on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see note 6).

Cash and Cash Equivalents: The Firm considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

Due from Government: Due from government consists mainly of state approved payments to the Firm to operate the charter schools and federal grants passed through the State of Arizona. The Firm has never experienced any losses due to non-payment, expects none on the June 30, 2014 balances, and therefore has not established an allowance for uncollectibility.

Other Receivables: Other receivables consists of miscellaneous receivables due to the Firm that will be collected during the fiscal year subsequent to June 30, 2014.

Prepaid Expenses: Prepaid expenses consists of goods and/or services purchased before June 30, 2014 that are to be used subsequent to June 30, 2014.

Loan Issuance Costs: Loan issuance costs and origination fees are deferred and amortized over the term of the loans.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment: Property and equipment with an initial cost of $5,000 or more and an estimated life of one year or more are capitalized. Assets are stated at cost. Depreciation and amortization is provided on the straight-line basis over the following estimated useful lives of the respective assets:

Buildings and improvements	40 years
Vehicles, furniture and equipment	3-5 years
Textbooks	3 years
Software	3 years
Leasehold improvements	Lesser of the estimated useful life or remaining term of applicable lease

Deferred Revenue: Deferred revenue represents amounts collected but not earned as of June 30, 2014.

Deposits Held For Others: Deposits held for others consists of student deposits required for the use of textbooks.

Advertising: Advertising costs are expensed as incurred.

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in Note 7. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Firm and its subsidiaries are exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Firm's and its subsidiaries Forms 990 *Return of Organization Exempt from Income Tax* are generally subject to examination for three years after they are filed, and the related State of Arizona Forms 99 are generally subject to examination for four years from the later of the due date or the file date of the tax return.

NOTE 2 - RESTRICTED CASH

Restricted cash consists of required deposits associated with the long-term debt (see note 5). The tax and insurance funds shall be used to pay real property taxes and premiums for the required insurance policies. The debt service reserve funds shall be used if the Firm is unable to make payments when due. The project funds shall be used solely to complete construction on the new campuses. The bond funds shall be used to pay the interest coming due. The accounts are held by U.S. Bank National Association and Bank of Arizona as trustee.

Restricted cash as of June 30, 2014 consisted of the following:

Tax and insurance funds	$ 27,772
Debt service reserve funds	1,359,895
Project funds	14,974,598
Bond funds	1,555,855
Total	$ 17,918,120

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Firm maintains its unrestricted cash with various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). At times, such cash may be in excess of FDIC insurance limits. The Firm has not experienced any losses in such accounts and management believes it is not exposed to any significant risks related to these accounts.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2014 consists of the following:

Land and improvements	$ 37,600,219
Buildings and leasehold improvements	68,324,140
Vehicles, furniture and equipment	1,956,034
Textbooks	2,199,302
Software	5,291
Construction in progress	16,485,149
Total	126,570,135
Less accumulated depreciation	5,999,565
Property and equipment, net	$ 120,570,570

Depreciation for the year ended June 30, 2014 totaled $4,881,299.

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2014:

Education Revenue Bonds (BASIS Tucson, Series 2006) were issued by the Industrial Development Authority of Pima County, Arizona, in the aggregate principal amount of $5,155,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated May 1, 2006. The loan matures over 30 years with an interest rate of 7.00%. Monthly principal and interest payments vary, and principal payments range from a minimum of $5,000 to a maximum of $43,333. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land, buildings and to fund improvements; (ii) to fund a debt service reserve fund; (iii) for the payment of loan issuance costs; and (iv) extinguishment of the outstanding Series 2004 Education Revenue Bonds. The loan is secured by a deed of trust on real property and through assignment of State Equalization revenues of the Firm.	$ 4,660,000
Education Revenue Bonds (BASIS Scottsdale, Series 2007) were issued by the Industrial Development Authority of Pima County, Arizona, in the aggregate principal amount of $9,000,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2007. The loan matures over 30 years with an interest rate of 6.75%. Monthly principal and interest payments vary, and principal payments range from a minimum of $8,333 to a maximum of $106,250. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land, buildings and to fund improvements; (ii) to fund a debt service reserve fund; and, (iii) for the payment of loan issuance costs. The loan is secured by a deed of trust on real property and through assignment of State Equalization revenues of the Firm.	8,290,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS Oro Valley, Series 2010) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of $5,450,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated March 1, 2010. The loan matures over 30 years with an interest rate of 7.75%. Monthly principal and interest payments vary, and principal payments range from a minimum of $4,583 to a maximum of $45,833, commencing on June 30, 2012. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Oro Valley's personal property and revenues, including revenues received from the State of Arizona under the BASIS Oro Valley charter, and a deed of trust on real property located at the BASIS Oro Valley site.	5,270,000
Education Revenue Bonds (BASIS Chandler, Series 2010A) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of $6,645,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated November 1, 2010. The loan matures over 30 years with an interest rate of 4.00% through June 30, 2012, and an interest rate of 7.00% thereafter. Monthly principal and interest payments vary, and principal payments range from a minimum of $6,667 to a maximum of $42,500, commencing on July 1, 2014. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Chandler's personal property and revenues, including revenues received from the State of Arizona under the BASIS Chandler charter, and a deed of trust on real property located at the BASIS Chandler site.	6,565,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS Peoria, Series 2010B) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of $6,665,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated November 1, 2010. The loan matures over 30 years with an interest rate of 4.00% through June 30, 2012, and an interest rate of 7.00% thereafter. Monthly principal and interest payments vary, and principal payments range from a minimum of $6,667 to a maximum of $42,917, commencing on July 1, 2014. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Peoria's personal property and revenues, including revenues received from the State of Arizona under the BASIS Peoria charter, and a deed of trust on real property located at the BASIS Peoria site.	6,585,000
Education Revenue Bonds (BASIS Flagstaff, Series 2010C) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of $6,995,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated December 1, 2010. The loan matures over 30 years with an interest rate of 4.00% through June 30, 2012, and an interest rate of 7.00% thereafter. Monthly principal and interest payments vary, and principal payments range from a minimum of $7,083 to a maximum of $45,000, commencing on July 1, 2014. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Flagstaff's personal property and revenues, including revenues received from the State of Arizona under the BASIS Flagstaff charter, and a deed of trust on real property located at the BASIS Flagstaff site.	6,910,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS Phoenix, Series 2011) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of $7,955,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated November 1, 2011. The loan matures over 30 years with an interest rate of 7.50%. Monthly principal and interest payments vary, and principal payments range from a minimum of $8,333 to a maximum of $53,750, commencing on July 1, 2015. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Phoenix's personal property and revenues, including revenues received from the State of Arizona under the BASIS Phoenix charter, and a deed of trust on real property located at the BASIS Phoenix site.	7,955,000
Education Revenue Bonds (BASIS Tucson North, Series 2012) were issued by the Industrial Development Authority of the County of Pima in the aggregate principal amount of $10,000,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated March 1, 2012. The loan matures over 30 years with an interest rate of 6.25% - 7.55%. Monthly principal and interest payments vary, and principal payments range from a minimum of $8,750 to a maximum of $111,250, commencing on July 1, 2015. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Tucson, BASIS Scottsdale and BASIS Tucson North's personal property and revenues, including revenues received from the State of Arizona under their respective charters, and a deed of trust on real property located at the BASIS Tucson North site.	10,000,000
$19,320,000 note payable to Education Capital Solutions, LLC dated February 29, 2012. Interest-only payments at the rate of 9.00% - 11.50% are due monthly, with a balloon payment due for the outstanding principal and unpaid interest balances in September 2032. The loan proceeds are to be used by the Firm to purchase and retrofit a campus for the BDC school. The loan is secured by a deed of trust on real property and through assignment of District educational revenues of BDC.	19,320,000

NOTE 5 - LONG-TERM DEBT - Continued

$1,680,000 note payable to Education Capital Solutions, LLC dated February 29, 2012. Interest-only payments at the rate of 9.00% - 11.50% are due monthly, with a balloon payment due for the outstanding principal and unpaid interest balances in September 2032. The loan proceeds are to be used by the Firm to purchase and retrofit a campus for the BDC school. The loan is secured by a deed of trust on real property and through assignment of District educational revenues of BDC.	1,680,000
$5,000,000 noninterest bearing note payable to 410 Eighth Street, LLC dated February 29, 2012, issued in connection with acquisition of a building for the BDC campus, due September 2029, less unamortized discount based on an imputed interest rate of 9.00%. The loan is secured by a deed of trust on real property and through assignment of District educational revenues of BDC.	2,161,128
Education Revenue Bonds (BASIS Ahwatukee, Series 2013) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $8,835,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2013. The loan matures over 30 years with an interest rate of 6.75%. Monthly principal and interest payments vary, and principal payments range from a minimum of $9,583 to a maximum of $55,417, commencing on July 1, 2016. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Ahwatukee's personal property and revenues, including revenues received from the State of Arizona under the BASIS Ahwatukee charter, and a deed of trust on real property located at the BASIS Ahwatukee site.	8,835,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS San Antonio, Series 2013A and 2013B) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $9,265,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated April 1, 2013. The loan matures over 30 years with an interest rate of 6.00% - 7.00%. Monthly principal and interest payments vary, and principal payments range from a minimum of $11,667 to a maximum of $56,250, commencing on July 1, 2016. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land and constructing, improving, and equipping a building; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by the Firm's personal property, all lease payments payable by BTX to the Firm, and a deed of trust on real property located at the BTX San Antonio site.	9,265,000
Education Revenue Bonds (BASIS Schools, Inc., Series 2013) were issued by the Industrial Development Authority of the County of Pima in the aggregate principal amount of $9,130,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated May 1, 2013. The loan matures over 30 years with an interest rate of 6.05% - 7.25%. Monthly principal and interest payments vary, and principal payments range from a minimum of $9,583 to a maximum of $86,667, commencing on July 1, 2016. The loan proceeds are to be used by the Firm for the following purposes: (i) to finance the costs of renovations and additions to BASIS Tucson and BASIS Scottsdale; (ii) to fund a debt service reserve fund and repair and replacement fund; (iii) to pay for capitalized interest; and, (iv) to pay loan issuance costs. The loan is secured by BASIS Tucson, BASIS Scottsdale and BASIS Tucson North's personal property and revenues, including revenues received from the State of Arizona under their respective charters, and deeds of trust on real property located at the BASIS Tucson and BASIS Scottsdale sites. Under the loan agreement, the Firm is required to comply with certain financial covenants, including a debt service coverage ratio greater than 1.10 to 1.00 and a liquidity covenant of unrestricted free cash greater than 6% of the prior 12 months' operating expenses. At June 30, 2014, the Firm was in compliance with these covenants.	9,130,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS Mesa, Series 2013) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $7,815,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated May 1, 2013. The loan matures over 30 years with an interest rate of 6.00% - 6.50%. Monthly principal and interest payments vary, and principal payments range from a minimum of $9,167 to a maximum of $47,500, commencing on July 1, 2016. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Mesa's personal property and revenues, including revenues received from the State of Arizona under the BASIS Mesa charter, and a deed of trust on real property located at the BASIS Mesa site.	7,815,000
Education Revenue Bonds (BASIS Oro Valley Primary, Series 2013) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $8,305,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated December 1, 2013. The loan matures over 30 years with an interest rate of 6.25% - 7.625%. Monthly principal and interest payments vary, and principal payments range from a minimum of $7,917 to a maximum of $54,583, commencing on July 1, 2016. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Oro Valley Primary's personal property and revenues, including revenues received from the State of Arizona under the BASIS Oro Valley Primary charter, and a deed of trust on real property located at the BASIS Oro Valley Primary site.	8,305,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS Phoenix Central, Series 2014) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $9,590,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2014. The loan matures over 30 years with an interest rate of 6.25% - 7.50%. Monthly principal and interest payments vary, and principal payments range from a minimum of $10,417 to a maximum of $63,333, commencing on July 1, 2017. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Phoenix Central's personal property and revenues, including revenues received from the State of Arizona under the BASIS Phoenix Central charter, and a deed of trust on real property located at the BASIS Phoenix Central site.	9,590,000
Education Revenue Bonds (BASIS Prescott, Series 2014) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $9,020,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2014. The loan matures over 30 years with an interest rate of 6.25% - 7.50%. Monthly principal and interest payments vary, and principal payments range from a minimum of $9,583 to a maximum of $59,583, commencing on July 1, 2017. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Prescott's personal property and revenues, including revenues received from the State of Arizona under the BASIS Prescott charter, and a deed of trust on real property located at the BASIS Prescott site.	9,020,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS San Antonio North, Series 2014A and 2014B) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $9,640,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated March 1, 2014. The loan matures over 30 years with an interest rate of 6.25% - 7.50%. Monthly principal and interest payments vary, and principal payments range from a minimum of $10,417 to a maximum of $63,750, commencing on July 1, 2017. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land and constructing, improving, and equipping a building; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by the Firm's personal property, all lease payments payable by BTX to the Firm, and a deed of trust on real property located at the BTX San Antonio North site.	9,640,000
Total	150,996,128
Less current maturities	775,000
	$ 150,221,128

The aggregate future minimum payments on long-term debt as of June 30, 2014, are as follows:

Year ending June 30:	
2015	$ 775,000
2016	1,395,000
2017	1,860,000
2018	1,985,000
2019	2,110,000
Thereafter	142,871,128
	$ 150,996,128

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

The Firm received temporarily restricted contributions totaling $439,289 and $2,587,294, and disbursed $439,289 and $1,936,877 during the year ended June 30, 2014, for extracurricular activities and the Annual Teacher Fund, respectively.

At June 30, 2014, $118,592 and $2,318,741 remained in net assets temporarily restricted for extracurricular activities and the Annual Teacher Fund, respectively.

NOTE 7 - FUNCTIONAL EXPENSE CLASSIFICATION

The following is a summary of the Firm's expenses by function for the year ended June 30, 2014:

Primary education	$ 52,306,175
General and administrative	13,695,869
Fundraising	106,273
Total	$ 66,108,317

NOTE 8 - ECONOMIC DEPENDENCY

Approximately 71% of the Firm's revenue for the year ended June 30, 2014 was derived from the State of Arizona through payments of State Equalization, Classroom Site Funds (Proposition 301), State of Arizona grants, and federal grants passed through the State of Arizona. Non-federal funds that are paid from the State of Arizona are subject to funding approval from the state legislature. Changes in state funding levels for charter schools could have a significant impact on the Firm's revenues.

Approximately 63% of the Firm's total expenses for the year ended June 30, 2014 were paid to BASIS.ed (a related party, see note 9).

NOTE 9 - RELATED PARTY

Michael Block, an authorized agent for the Firm and a shareholder of BASIS.ed, maintained an active Board member position throughout the fiscal year. As a Board member, Mr. Block could influence the financial and operational activities of the Firm through voting authority. However, his voting power did not constitute a majority of the Firm's Board of Directors and Mr. Block recused himself from all votes involving BASIS.ed.

Under terms of the management agreement with BASIS.ed, the Firm incurred $30,439,299 for leased employee costs and $11,459,735 in management services fees, which included upper management salaries and related benefits, technology support, accounting, student enrollment and reporting, and new school development services. As of June 30, 2014, $2,238,457 was payable to BASIS.ed for accrued leased employee wages and $173,285 was payable to BASIS.ed for management fees.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

Compliance: The Firm's compliance with certain laws and regulations is subject to review by the State of Arizona, Office of the Auditor General and Department of Education. Such reviews could result in adjustments or withholding of State Equalization assistance.

Commitments:
The Firm has entered into agreements with BASIS.ed to provide charter school management, teaching services and administrative services for each of its schools, with various expiration dates through June 30, 2018. The Firm incurred $11,459,735 for such services during the fiscal year ended June 30, 2014. The fees are based on revenues and are adjusted for cost-of-living and growth in revenues in subsequent years. In addition, under the agreement the Firm leased all teachers and non-management on-site personnel from BASIS.ed.

During the fiscal year ending June 30, 2014, the Firm began construction of the Oro Valley Primary, Prescott, Phoenix Central and San Antonio North campuses. As of June 30, 2014, the Firm had $16,485,149 in construction in progress related to the new campuses, with remaining commitments of approximately $8,700,000 to complete the projects.

NOTE 11 - SUBSEQUENT EVENTS

The Firm has evaluated subsequent events through March 24, 2015, the date which the financial statements were available to be issued, and has concluded that no events have occurred since the year ended June 30, 2014 that would require an adjustment to the financial statements. However, the Firm did note the following transaction that occurred subsequent to the year end that should be disclosed:

On December 23, 2014, the Firm entered into an advancing bridge loan agreement for a school site not to exceed $11,250,000 for the purpose of acquiring real property and for the development, construction and installation of improvements on the property. Interest is payable at the rate of 6.50%. Advances may be made until December 31, 2015, at which time all outstanding principal and interest is due. The loan is secured by a deed of trust on real property.

SUPPLEMENTARY INFORMATION

BASIS SCHOOLS, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014

	BSI	BDC	BTX	Eliminations	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	$ 7,537,054	$ 330,418	$ 819,364		$ 8,686,836
Due from government	4,178,410	380,378	759,501		5,318,289
Due from related parties	430,986	8,493	87,666	$ (373,894)	153,251
Other receivables	6,884	927	28,523		36,334
Prepaid expenses	311,141	20,189	21,525		352,855
Restricted cash, current	8,587,895				8,587,895
Total current assets	21,052,370	740,405	1,716,579	(373,894)	23,135,460
Noncurrent assets:					
Loan issuance costs, net of accumulated amortization of $501,029	5,371,308				5,371,308
Restricted cash, noncurrent	9,330,225				9,330,225
Property and equipment, net	120,475,504	95,066			120,570,570
Deposits	9,598	1,375			10,973
Total noncurrent assets	135,186,635	96,441			135,283,076
Total assets	$ 156,239,005	$ 836,846	$ 1,716,579	$ (373,894)	$ 158,418,536
LIABILITIES AND NET ASSETS (DEFICIT)					
Current liabilities:					
Accounts payable and accrued expenses	$ 1,138,231	$ 49,430	$ 352,623		$ 1,540,284
Accrued payroll	1,954,518	283,939			2,238,457
Accrued construction costs	7,032,040				7,032,040
Deferred revenue	87,559	17,256	497,312		602,127
Due to related party	85,951	480,688	133,798	$ (373,894)	326,543
Deposits held for others	1,490,311				1,490,311
Current maturities of long-term debt	775,000				775,000
Total current liabilities	12,563,610	831,313	983,733	(373,894)	14,004,762
Long-term debt, net of current maturities	150,221,128				150,221,128
Total liabilities	162,784,738	831,313	983,733	(373,894)	164,225,890
Net assets (deficit):					
Unrestricted (deficit)	(8,823,309)	(93,974)	672,596		(8,244,687)
Temporarily restricted	2,277,576	99,507	60,250		2,437,333
Total net assets (deficit)	(6,545,733)	5,533	732,846		(5,807,354)
Total liabilities and net assets (deficit)	$ 156,239,005	$ 836,846	$ 1,716,579	$ (373,894)	$ 158,418,536

BASIS SCHOOLS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	BSI			BDC		
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal
Revenue and support:						
State Equalization	$ 39,270,974		$ 39,270,974	$ 6,741,572		$ 6,741,572
Federal grants	1,948,279		1,948,279	536,705		536,705
State grants	2,785,029		2,785,029			
Extra-curricular activities contributions	2,630,721		2,630,721	28,759		28,759
Tax credit contributions		$ 439,289	439,289			
Other contributions	85,557	2,329,210	2,414,767	30	$ 99,507	99,537
Other revenue	2,412,853		2,412,853	155,844		155,844
Net assets released from restrictions	2,195,629	(2,195,629)		82,210	(82,210)	
Total revenue and support	51,329,042	572,870	51,901,912	7,545,120	17,297	7,562,417
Expenses and loss:						
Salaries and wages, leased employees	21,251,988		21,251,988	2,649,449		2,649,449
Payroll taxes and benefits, leased employees	4,099,122		4,099,122	447,100		447,100
Management fees	9,086,377		9,086,377	1,518,561		1,518,561
Legal fees	32,110		32,110	43,459		43,459
Accounting fees	55,999		55,999	25,157		25,157
Other service fees	1,355,773		1,355,773	668,991		668,991
Furniture and equipment	2,462,153		2,462,153			
Information technology	217,938		217,938			
Insurance	465,396		465,396	61,657		61,657
Travel				25,249		25,249
Advertising and promotion	40,700		40,700			
Occupancy	1,395,911		1,395,911	2,227,718		2,227,718
Office expenses	1,258,406		1,258,406	5,831		5,831
Fundraising expense	91,841		91,841	1,624		1,624
Interest	8,456,199		8,456,199	45		45
Depreciation	4,814,466		4,814,466	66,833		66,833
Amortization	166,602		166,602			
Loss on disposal of assets	56,853		56,853	5,975		5,975
Other expenses	1,033,924		1,033,924	129,816		129,816
Total expenses and loss	56,341,758		56,341,758	7,877,465		7,877,465
Change in net assets (deficit)	(5,012,716)	572,870	(4,439,846)	(332,345)	17,297	(315,048)
Net assets (deficit), beginning of year	(3,810,593)	1,704,706	(2,105,887)	238,371	82,210	320,581
Net assets (deficit), end of year	$ (8,823,309)	$ 2,277,576	$ (6,545,733)	$ (93,974)	$ 99,507	$ 5,533

BASIS SCHOOLS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2014
(CONTINUED)

	BTX			Eliminations	Totals		
	Unrestricted	Temporarily Restricted	Subtotal	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:							
State Equalization	$ 3,250,239		$ 3,250,239		$ 49,262,785		$ 49,262,785
Federal grants	50,831		50,831		2,535,815		2,535,815
State grants	36,671		36,671		2,821,700		2,821,700
Extra-curricular activities contributions	203,570		203,570		2,863,050		2,863,050
Tax credit contributions						$ 439,289	439,289
Other contributions	920,033	$ 158,577	1,078,610		1,005,620	2,587,294	3,592,914
Other revenue				$ (2,266,138)	302,559		302,559
Net assets released from restrictions	98,327	(98,327)			2,376,166	(2,376,166)	
Total revenue and support	4,559,671	60,250	4,619,921	(2,266,138)	61,167,695	650,417	61,818,112
Expenses and loss:							
Salaries and wages, leased employees	1,696,346		1,696,346		25,597,783		25,597,783
Payroll taxes and benefits, leased employees	295,294		295,294		4,841,516		4,841,516
Management fees	854,797		854,797		11,459,735		11,459,735
Legal fees	1,455		1,455		77,024		77,024
Accounting fees	12,917		12,917		94,073		94,073
Other service fees	497,451		497,451		2,522,215		2,522,215
Furniture and equipment					2,462,153		2,462,153
Information technology					217,938		217,938
Insurance	63,303		63,303		590,356		590,356
Travel	100,144		100,144		125,393		125,393
Advertising and promotion	8,792		8,792		49,492		49,492
Occupancy	456,791		456,791	(2,266,138)	1,814,282		1,814,282
Office expenses					1,264,237		1,264,237
Fundraising expense					93,465		93,465
Interest					8,456,244		8,456,244
Depreciation					4,881,299		4,881,299
Amortization					166,602		166,602
Loss on disposal of assets					62,828		62,828
Other expenses	167,942		167,942		1,331,682		1,331,682
Total expenses and loss	4,155,232		4,155,232	(2,266,138)	66,108,317		66,108,317
Change in net assets (deficit)	404,439	60,250	464,689		(4,940,622)	650,417	(4,290,205)
Net assets (deficit), beginning of year	268,157		268,157		(3,304,065)	1,786,916	(1,517,149)
Net assets (deficit), end of year	$ 672,596	$ 60,250	$ 732,846	$	$ (8,244,687)	$ 2,437,333	$ (5,807,354)

Exhibit G

BASIS' Schools' Original Application for Exemption

WARREN CHARTER LAW
PLC

December 28, 2015

Ms. Grace Gutierrez
Pima County Assessor
Exemption Section
240 North Stone Avenue
First Floor
Tucson, Arizona 85701

RE: BASIS School, Inc.: Application for Property Tax Exemption

Dear Ms. Gutierrez:

Please find attached the Property Tax Exemption Claim Form for BASIS School, Inc. ("BASIS") for parcel number 220-08-4710 located at 11129 North Oracle Road in Oro Valley, Arizona. BASIS is an Arizona nonprofit corporation that has been granted federal tax exempt status under Internal Revenue Code Section 501(c)(3). BASIS' specific use of the parcel is the operation of an Arizona public charter school for grades kindergarten through 5.

BASIS purchased and took possession of the property on December 19, 2013.

Pursuant to A.R.S. §42-11104, the enclosed Claim Form, the attached supporting documents and this letter of specific intent, BASIS respectfully requests that the Pima County Assessor's Office - Exemptions Division grant BASIS a complete tax exemption on the above-named property from December 19, 2013 and continuing for so long as BASIS owns the property.

Please contact me if you have any questions. Thank you.

Sincerely,

Terry D. Warren

Terry D. Warren

Enclosures

7702 East Doubletree Ranch Road, Suite 300 | Scottsdale, Arizona 85258 | 480.222.2045 | 866.790.1797 | FAX 480.222.2044
www.warrencharterlaw.com

QUESTIONNAIRE FOR PROPERTY TAX EXEMPTION APPLICATION

1. Name & Address of Non-Profit or Religious organization:
   BASIS Schools, Inc., 11129 N. Oracle Road, Oro Valley, Arizona 85737

2. From which subsection of Title 42, Chapter 11, Article 3-Exemptions do you base your claim for exemption? § 42-11104

   (Arizona Revised Statutes can be found at: www.azleg.gov)

3. Are there any type of business activities such as snack bars, cafés or restaurants operating on the premises? No

4. Is the organization exempt from Federal and/or State income taxes? Yes

5. Give day, month, and year deed/title was acquired by applicant. 12-19-2013

6. Claimant is: Owner/Operator X Owner only_____ Operator only_____

7. Exemption is claimed on:
   All land X Buildings & Improvements X Personal Property X

8. Is any portion of the property used as a place of residence? No
   If yes, state number of individuals occupying the premises and the duration of the occupancy:

9. Does applicant receive any income? (other than free will offerings in connection with this property) Yes, education equalization payments from the State of Arizona for educating public charter school students.

10. Is any portion of the property being leased or rented to a non-profit and/or a for- profit organization(s)? Yes_____ No X. If yes, please list the name(s) of the organization(s)

11. List date of occupancy: Day 19 Month 12 Year 2013

IRS DETERMINATION LETTER

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: NOV 18 1998

BASIS SCHOOL, INC.
6740 CALLE DE CALIPSO
TUCSON, AZ 85718-2089

Employer Identification Number:
86-0908854
DLN:
17053232021008
Contact Person:
EO CUSTOMER SERVICE
Contact Telephone Number:
(213) 894-2289
Accounting Period Ending:
December 31
Form 990 Required:
yes
Addendum Applies:
no

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in sections 509(a)(1) and 170(b)(1)(A)(ii).

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. In the case of an amendment to your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, you should inform us of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, if you are involved in an excess benefit transaction, that transaction might be subject to the excise taxes of section 4958. Additionally, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please contact your key district office.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of Code sections 2055, 2106, and 2522.

Contribution deductions are allowable to donors only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not

necessarily qualify as deductible contributions, depending on the circumstances. See Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, which sets forth guidelines regarding the deductibility, as charitable contributions, of payments made by taxpayers for admission to or other participation in fundraising activities for charity.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt From Income Tax. If Yes is indicated, you are required to file Form 990 only if your gross receipts each year are normally more than $25,000. However, if you receive a Form 990 package in the mail, please file the return even if you do not exceed the gross receipts test. If you are not required to file, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally $25,000 or less, and sign the return.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of $20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed $10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding $1,000,000 in any year, the penalty is $100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding $1,000,000 shall not exceed $50,000. This penalty may also be charged if a return is not complete, so be sure your return is complete before you file it.

You are required to make your annual return available for public inspection for three years after the return is due. You are also required to make available a copy of your exemption application, any supporting documents, and this exemption letter. Failure to make these documents available for public inspection may subject you to a penalty of $20 per day for each day there is a failure to comply (up to a maximum of $10,000 in the case of an annual return).

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

In accordance with section 508(a) of the Code, the effective date of this determination letter is March 24, 1998.

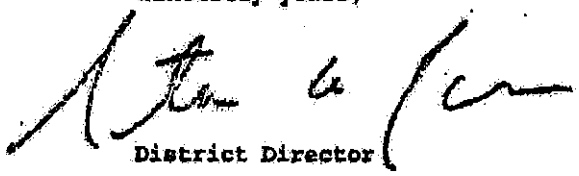
BASIS SCHOOL, INC.

If we have indicated in the heading of this letter that an addendum applies, the enclosed addendum is an integral part of this letter.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,



District Director

BYLAWS

BYLAWS

OF

BASIS SCHOOL, INC.
An Arizona Nonprofit Corporation

ARTICLE 1

OFFICES AND CORPORATE SEAL

1.1 **Principal Office.** The principal office of the Basis School, Inc., an Arizona nonprofit corporation (the "Corporation") shall be its known place of business in Tucson, Arizona

1.2 **Offices.** The Corporation also may maintain offices at such other place or places, either within or without the State of Arizona, as may be designed from time to time by the Board of Directors and the business of the Corporation may be transacted and such other offices with the same effect as that conducted at the principal office.

1.3 **Corporate Seal.** A corporate seal shall not be requisite to the validity of any instrument executed by or on behalf of the Corporation, but one may be used if the officers or the Board of Directors so decide.

ARTICLE 2

PURPOSES

2.1 **Charitable Purposes.** The purposes for which the Corporation is formed are those set forth in its Articles of Incorporation, initially being organized exclusively for educational purposes within the meaning of Section 501 (c) (3) of the Internal Revenue Code of 1986, or the corresponding provisions of any future United States Internal Revenue Laws.

2.2 **Schools; School Boards; Advisory Boards; and Oversight Committees** Among its activities, the Corporation will develop and operate one or more schools, either within or without the State of Arizona. Each such school shall be provided with such means of oversight and direction as the Corporation's Board of Directors may prescribe from time to time, which may include School Boards or advisory or oversight committees established and appointed by the Board of Directors, and operating under such regulation of authorities and duties as the Board of Directors may provide.

2.2.1 **Arizona Charter Schools.** For such of the schools as are charter schools within the meaning of Arizona Revised Statutes section 15-183, the foregoing provisions of this section 2.2 are modified as follows: each such school holding a separate charter in Arizona shall be provided with a separate School Board consisting of not less than seven (7) voting members, which School Board shall constitute the governing body for the charter school that is responsible for the policy decisions of the charter school, within the meaning of A.R.S. 15-183, subd. E.8. Both voting and non-voting members of such School Boards shall be appointed by the Corporation's Board of Directors, for such terms and upon such conditions as the Directors may establish; provided, however, that not more than three (3) of the voting members of any one such School Board may simultaneously be members of the Corporation's Board of Directors; and provided further that, notwithstanding such terms and conditions, or other provisions as may be adopted to regulate such School Boards by the Corporation's Board of Directors, each such

School Board shall retain the responsibility for the policy decisions of its respective charter school within the meaning of A.R.S. 15-183, subd. E.8. Meetings of such School Boards shall be conducted in accordance with the applicable provisions of the Arizona public meeting law.

2.3 **Dividends Prohibited**. The Corporation is not formed for pecuniary or financial gain, and no part of the assets, income, or profit of the Corporation is distributable to, or will inure to the benefit of, its directors or officers or other private individual; provided, however, that nothing contained herein shall be construed to prevent the payment of reasonable compensation for services actually rendered by employees, officers or directors of the Corporation and reimbursement of expenses incurred in connection therewith.

ARTICLE 3

MEMBERSHIP

The Corporation will not have members.

ARTICLE 4

DIRECTORS

4.1 **Number; Chairman**. The board of directors shall consist of not less than three (3) persons nor more than nine (9) persons as determined by the board. The directors may choose from among their number a Chairman of the Board, who shall preside at the meetings of the board.

4.2 **Vacancies**. Vacancies and newly created directorship resulting from any increase in the authorized number of directors may be filled by the affirmative vote of a majority of remaining directors then in office, though not less that a quorum; or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and qualified, unless sooner replaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute,

4.3 **Powers**. The business and affairs of the Corporation shall be managed by its Board of Directors.

4.4 **Place of Meeting**. The Board of Directors of the Corporation may hold meetings, both regular, and special, either within or without the State of Arizona. Such may be held by mean of conference telephone or similar communications equipment by means of which all persons participation in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

4.5 **Annual Meeting**. The annual meeting of the board of directors shall be held before July 1 or at such other date and time as shall be designated by the Board of Directors and

stated in the notice of meeting. Notice to the current Board of Directors of each annual meeting shall be given by the secretary by mail, telephone, e-mail or telegram and shall be given at least ten (10) days and not more than fifty (50) days prior to such meeting. At the annual meeting, the current Board of Directors shall elect successor directors who shall immediately assume duties as directors. No notice shall be necessary to the newly constituted Board of Directors in order for the meeting legally to constitute the annually meeting, provided that the quorum of the newly constructed Board of Directors shall be present. At its annual meeting, the newly constructed Board of Directors shall elect the officers of the Corporation and may transact any other business, which may properly come before it. If a quorum of the newly constructed Board of Directors is not present, the annual meeting will be held as soon as practicable after the new directories are elected.

4.6 **Regular Meetings**. Regular meetings or the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board.

4.7 **Special Meetings**. Special meetings of the Board may be called by the president or Chairman of the Board or the secretary on ten (10) days notice to each director, either personally, by e-mail, by mail, by telegram or by telephone. Special meetings shall be called by the president or secretary in like manner and on like notice on the written request of any director, The time and place of each special meeting shall be determined by the president, but in the case of meeting called upon the request of a director the time of such meeting shall be no later than the expiration of a ten (10) day period following the date of such request or such longer period as may be specified in the request.

4.8 **Quorum**. A majority of the membership of the Board of Directors shall constitute a quorum and the concurrence of a majority of those present shall be sufficient to conduct the business of the Board, except as may be otherwise specifically provided by statute or by the Articles of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors then present may adjourn the meeting to another time or place, without a notice other than announcement at the meeting, until a quorum shall be present.

4.9 **Action without Meeting**. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

4.10 **Waiver Notice**. Attendance by a director at a meeting shall constitute waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any director may waive notice of any annual, regular or special meeting of directors by executing a written notice of waiver either before or after the time of the meeting.

4.11 **Compensation**. The amount or rate of such compensation of members of the Board of Directors or of committees shall be established by the Board of Directors and shall be set forth in the minutes of the board.

ARTICLE 5

OFFICERS

5.1 **Designation of Titles.** The officers of the Corporation shall be chosen by the Board of Directors and shall be a president, a secretary and a treasurer. The Board of Directors also may choose one or more vice presidents, one or more assistant secretaries and assistant treasurers and an Executive Director, Any number of offices, except the offices of president and secretary may be held by the same person, unless the Articles of Incorporation or these Bylaws provide otherwise.

5.2 **Appointment of Officers.** The Board or Directors at each annual meeting shall elect a president, a secretary and a treasurer, each of whom shall serve at the pleasure of the Board of Directors. The Board of Directors at any time may appoint such other officers and agents as it shall deem necessary to hold office at the pleasure of the Board of Directors and to exercise such powers and performs such duties as shall be determined from time to time by the board

5.3 **Salaries** The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented form receiving such salary by reason of the fact that he is also a director of the Corporation.

5.4 **Term.** The officers of the Corporation shall hold office until their successors are chosen and qualify on their stead. Any officer elected by the Board of directors may be removed at any time by the board of directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

5.5 **President.** The president shall function as the Chief Executive Officer of the Corporation. He or she shall sign all deeds and conveyances, all contracts and agreements and all other instruments requiring execution on the behalf of the Corporation, and shall act as operating and directing head of the Corporation, and all of its constituent activities, including the operation of BASIS schools, subject to the general management of the Corporation's Board of Directors and to policies, procedures, and limitations established by the Board of Directors in these by-laws or otherwise. In the absence of the Chairman of the Board, the President shall preside at all meetings of the Board of Directors.

5.6 **Secretary.** The secretary shall see that the minutes of all meetings of the Board of Directors and of any standing committees are kept. He or she shall be the custodian of the corporate seal and shall affix it to all proper instruments when deemed advisable by him or her or when instructed by the Board. He or she shall give or cause to be given required notices of all meetings of the Board of Directors. He or She shall have charge of all books and records of the Corporation, except the books of account, and in general shall perform all duties incident to the office of secretary of a corporation and such other duties as may be assigned to him or her by the Board of Directors.

5.7 **Treasurer.** The treasurer shall have general custody of all the funds and securities of the Corporation. He or she shall see to the deposit of the funds of the Corporation in such bank or banks as the Board of Directors may designate. Regular books of account shall be kept under his direction and supervision, and he or she shall render financial statements to the president and

Directors at proper times. The treasurer shall have charge of the preparation and filing of such reports, financial statements and returns as may be required by law. He or she shall give to the Corporation such fidelity bond as may be required by the Board and the premium paid by the Corporation as an operating expense. He or she shall see that the Corporation properties are adequately insured against liability.

ARTICLE 6

COMMITTEES OF DIRECTORS

The Board of Directors may, by resolution passed by a majority of the whole Board designate one (1) or more committees, to consist of two (2) or more members of the Directors of the Corporation. Any such committee, to the extent provided in the resolution, and as otherwise restricted by law, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that in the absence of disqualification of any member of such committee or committees, the member or members thereof present at any meeting not disqualified from voting, whether or not he or she or they constitute a quorum, may unanimously appoint another of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

ARTICLE 7

NONDISCRIMINATION POLICY STATEMENT

It shall be the policy of the Corporation and of any school operated by the Corporation that such school shall admit students of any race, color, national, and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at such school. No school shall-discriminate on the basis of race, color, national and ethnic origin in administration of its educational policies, admissions policies, scholarship and loan programs, and athletic and other school- administered programs. The Corporation shall make its nondiscrimination policy known to all segments of the general community served by the schools at least annually, strictly in accordance with the broad dissemination standards as set forth by relevant publication of the Internal Revenue Service; and shall further strive to include notice of its said policy in all brochures, catalogues and advertising dealing with student admissions, program, and scholarships. The Corporation shall monitor compliance with said policy to ensure its application to the Corporation's activities, and shall also keep records concerning the racial composition of its student body, faculty, and staff, as well as its racially nondiscriminatory policy, including records of the publication of that policy, in accordance with the requirements of the Internal Revenue Service.

ARTICLE 8

REPEAL ALTERATION OR AMENDMENT

These Bylaws may be repealed, altered or amended, or substitute Bylaws may be adopted at any time, only by a majority of the board of directors.

Dated this April 27, 2010

ARTICLES OF INCORPORATION

STATE OF ARIZONA

Office of the
CORPORATION COMMISSION

The Executive Director of the Arizona Corporation Commission does hereby certify that the attached copy of the following document:

ARTICLES OF AMENDMENT, 12/10/2012

consisting of 4 pages, is a true and complete copy of the original of said document on file with this office for:

BASIS SCHOOLS, INC.
ACC file number: -0835764-0

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission on this date: November 25, 2015.

SEAL OF THE ARIZONA CORPORATION COMMISSION
DITAT DEUS
• 1912 •

Jodi A. Jerich, Executive Director

By: GEORGE MOYA

AZ CORP. COMMISSION
04095375

AZ CORPORATION COMMISSION
FILED

DEC 10 2012

FILE NO 0835764-0

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF BASIS SCHOOL, INC.

(Including Name Change to "Basis Schools, Inc.")

Pursuant to the provisions of Arizona Revised Statutes §§ 10-11006 and 10-11007, BASIS School, Inc., an Arizona nonprofit corporation, hereby adopts the following Amended and Restated Articles of Incorporation and certifies as follows:

1. The name of the corporation is "BASIS SCHOOL, INC."

2. The filing of these Amended and Restated Articles of Incorporation includes a name change for the corporation to "Basis Schools, Inc."

3. The Amendment to the Articles of Incorporation of the corporation was filed with the Arizona Corporation Commission on April 14, 2004, at File No. 11665025030.

4. The Articles of Incorporation for the corporation are being amended and restated in their entirety as set forth in Exhibit "A" attached hereto and incorporated herein by this reference.

5. The Amended and Restated Articles of Incorporation were adopted by the board of directors of the corporation on November 14, 2012, in the manner prescribed by the Arizona Nonprofit Corporation Act. No other person or group has the right to vote on amendments or restatements of the Articles of Incorporation.

6. The Amended and Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments and/or restatements thereto in their entirety.

Dated: November 14, 2012

BASIS SCHOOL, INC.

By: Donald V. Budinger
Donald V. Budinger, Secretary

EXHIBIT "A"

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

BASIS SCHOOLS, INC.

The undersigned incorporator, desiring to form a nonprofit corporation under laws of the State of Arizona, hereby adopts the following Articles of Incorporation.

I.
Name and Place of Business

The name of the corporation shall be "BASIS SCHOOLS, INC." (referred to herein as the "Corporation"). The initial place of business and address for the Corporation will be 11485 North 136th Street, Suite 109, Scottsdale, AZ 85259, but it will establish other principal places of business and other offices at such other places, either within or without the State of Arizona, as the Board of Directors may from time to time determine.

II.
Purpose and Activities

This Corporation is a nonprofit organization organized and operated exclusively for charitable, educational, literary, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), or corresponding provision of any future federal tax laws. Within the meaning of Section 501(c)(3), the Corporation's primary mission is to provide its students with an academically excellent and rigorous liberal arts college preparatory education for elementary through high school grades in charter schools. The Corporation will operate multiple campuses both located inside and outside of Arizona. Except as otherwise provided in these Articles, the Corporation also may transact any and all lawful business for which nonprofit corporations may be organized under the laws of Arizona, as amended from time to time.

III.
Limitation on Activities

(a) No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article II hereof. No substantial part of the Corporation's activities shall be the carrying on of propaganda or otherwise attempting to influence legislation. The Corporation shall not participate in or intervene in (including the publishing or distribution of statements with respect to) any political campaign on behalf of or in opposition to any candidate for public office.

(b) It is intended that this Corporation shall have the status of a corporation which is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) and is other than a private foundation by reason of being described in Section

170(b)(1)(A)(ii) and/or 509(a)(1) or (2) of the Code. These Articles shall be construed accordingly, and all powers and activities of the Corporation shall be limited accordingly.

(c) Notwithstanding any other provision of these Articles, the Corporation shall not carry on any activities not permitted to be carried on by a corporation: (1) exempt from income tax under Section 501(c)(3) of the Code or corresponding provision of any future federal tax laws; (2) contributions to which are deductible for income tax purposes under Section 170(c)(2) of the Code or corresponding provision of any future federal tax laws; (3) bequests, legacies, devises, and transfers to which are deductible for estate tax purposes under Section 2055(a)(2) of the Code or corresponding provision of any future federal tax laws; or (4) gifts to which are deductible for gift tax purposes under Section 2522(a)(2) of the Code or corresponding provision of any future federal tax laws.

IV.
Board of Directors

The current Board of Directors consists of seven (7) directors. The number of directors and their manner of election will be governed by the Bylaws. The names and addresses of the persons who serve as the directors are:

Don Budinger
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Craig Barrett
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

John Morton
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Clint Bolick
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Terry Sarvas
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Michael K. Block
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Steve Twist
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

V.
Members

The Corporation shall have no members.

VI.
Limitation of Liability

The personal liability of a director of the Corporation, or of a person who serves on a board or council of the Corporation in an advisory capacity to the Corporation for money damages for any action taken or any failure to take action as a director is hereby eliminated to the fullest extent permitted by Arizona law as it now exists or hereafter may be amended. Any repeal or modification of this provision shall be prospective only, and shall not affect adversely any limitation on the personal liability of such person with respect to any act or omission occurring prior to the time of such repeal or modification.

VII.
Indemnification

To the fullest extent permitted by Arizona law as it now exists or hereafter may be amended, the Corporation shall indemnify every director, officer or agent of the Corporation against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, formal or informal, to which he or she is or was a party or is threatened to be made a party by reason of the fact that he or she is or was a director, officer, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, member or agent of another corporation or other entity. The foregoing rights of indemnification are limited as required by Arizona law, but shall be in addition to and not exclusive of all of the rights to which such persons may be entitled at law or otherwise. Any repeal or modification of this Article shall be prospective only and shall not adversely affect any indemnification rights of a director, officer or agent of the Corporation existing at the time of such repeal or modification.

VIII.
Dissolution

Upon dissolution of the Corporation, the Board of Directors, after making provision for the payment of all of the liabilities of the Corporation, shall arrange for the distribution of all of the assets of the Corporation exclusively for the tax-exempt purposes of the Corporation, by distribution to one or more organizations organized and operated exclusively for charitable, educational, literary, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code or corresponding provision of any future federal tax laws, as the Board of Directors shall determine. Any assets of the Corporation not so disposed of by the foregoing provisions shall be disposed of by the Superior Court of the County in which the principal office of the Corporation is then located, exclusively for the tax-exempt purposes of the Corporation or to such organization or organizations, as such Court shall determine, which are organized and operated exclusively for such purposes.

IX.
Statutory Agent

The name and address of the statutory agent is:

Terry Sarvas, Sarvas, Coleman, Edgell and Tobin P.C., 5050 N. 40th Street, Suite 310, Phoenix, AZ 85018-2153.

X.

Fiscal Year

The fiscal year for this Corporation shall be July 1 through June 30, unless otherwise fixed by a resolution of the Board of Directors.

FINANCIALS

BASIS SCHOOLS, INC.

Consolidated Financial Statements
and
Supplementary Information

Year Ended June 30, 2014

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Fester & Chapman P.C.

Certified
Public
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Independent Auditors' Report

To the Board of Directors
BASIS Schools, Inc.
Scottsdale, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of BASIS Schools, Inc. and subsidiaries (the Firm), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of BDC, a Public Charter School, Inc. (BDC) and BTX Schools, Inc. (BTX), subsidiaries of the Firm, which statements reflect total assets constituting 2% of consolidated total assets, and total revenues and support constituting 20% of consolidated total revenues and support, as of and for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for BDC and BTX, is based solely on the reports of the other auditors. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit report and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BASIS Schools, Inc. and subsidiaries as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015 on our consideration of the Firm'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 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 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 the Firm's internal control over financial reporting and compliance.

Foster & Chapman P.C.

March 24, 2015

BASIS SCHOOLS, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS

Current assets:	
Cash and cash equivalents	$ 8,686,836
Due from government	5,318,289
Due from related parties	153,251
Other receivables	36,334
Prepaid expenses	352,855
Restricted cash, current	8,587,895
Total current assets	23,135,460
Noncurrent assets:	
Loan issuance costs, net of accumulated amortization of $501,029	5,371,308
Restricted cash, noncurrent	9,330,225
Property and equipment, net	120,570,570
Deposits	10,973
Total noncurrent assets	135,283,076
Total assets	$ 158,418,536

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:	
Accounts payable and accrued expenses	$ 1,540,284
Accrued payroll	2,238,457
Accrued construction costs	7,032,040
Deferred revenue	602,127
Due to related party	326,543
Deposits held for others	1,490,311
Current maturities of long-term debt	775,000
Total current liabilities	14,004,762
Long-term debt, net of current maturities	150,221,128
Total liabilities	164,225,890
Net assets (deficit):	
Unrestricted (deficit)	(8,244,687)
Temporarily restricted	2,437,333
Total net assets (deficit)	(5,807,354)
Total liabilities and net assets (deficit)	$ 158,418,536

The accompanying notes are an integral part of these statements.

BASIS SCHOOLS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
State Equalization	$ 49,262,785		$ 49,262,785
Federal grants	2,535,815		2,535,815
State grants	2,821,700		2,821,700
Extra-curricular activities contributions	2,863,050		2,863,050
Tax credit contributions		$ 439,289	439,289
Other contributions	1,005,620	2,587,294	3,592,914
Other revenue	302,559		302,559
Net assets released from restrictions	2,376,166	(2,376,166)	
Total revenue and support	61,167,695	650,417	61,818,112
Expenses and loss:			
Salaries and wages, leased employees	25,597,783		25,597,783
Payroll taxes and benefits, leased employees	4,841,516		4,841,516
Management fees	11,459,735		11,459,735
Legal fees	77,024		77,024
Accounting fees	94,073		94,073
Other service fees	2,522,215		2,522,215
Furniture and equipment	2,462,153		2,462,153
Information technology	217,938		217,938
Insurance	590,356		590,356
Travel	125,393		125,393
Advertising and promotion	49,492		49,492
Occupancy	1,814,282		1,814,282
Office expenses	1,264,237		1,264,237
Fundraising expense	93,465		93,465
Interest	8,456,244		8,456,244
Depreciation	4,881,299		4,881,299
Amortization	166,602		166,602
Loss on disposal of assets	62,828		62,828
Other expenses	1,331,682		1,331,682
Total expenses and loss	66,108,317		66,108,317
Change in net assets (deficit)	(4,940,622)	650,417	(4,290,205)
Net assets (deficit), beginning of year	(3,304,065)	1,786,916	(1,517,149)
Net assets (deficit), end of year	$ (8,244,687)	$ 2,437,333	$ (5,807,354)

The accompanying notes are an integral part of these statements.

BASIS SCHOOLS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

Cash flows from operating activities:	
Change in net assets (deficit)	$ (4,290,205)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:	
Depreciation	4,881,299
Amortization of loan issuance costs	166,602
Loss on disposal of assets	62,828
Changes in:	
Due from government	(1,712,733)
Due from related parties	(153,251)
Other receivables	10,593
Prepaid expenses	(284,029)
Deposits	1,025
Accounts payable and accrued expenses and payroll	1,610,332
Deferred revenue	540,149
Due to related party	(5,724)
Deposits held for others	109,161
Net cash provided by operating activities	936,047
Cash flows from investing activities:	
Net withdrawals from restricted cash	2,440,462
Purchases of property and equipment	(35,070,637)
Net cash used in investing activities	(32,630,175)
Cash flows from financing activities:	
Proceeds from loans	35,408,286
Principal payments on long-term debt	(535,000)
Net cash provided by financing activities	34,873,286
Net increase in cash and cash equivalents	3,179,158
Cash and cash equivalents, beginning of year	5,507,678
Cash and cash equivalents, end of year	$ 8,686,836
Supplemental disclosures	
Cash paid during the year for interest expensed	$ 8,456,244
Cash paid during the year for interest capitalized	$ 1,084,050
Loan proceeds paid directly for prepaid interest and issuance costs	$ 2,821,741

The accompanying notes are an integral part of these statements.

BASIS Schools, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS Schools, Inc. (the Firm), an Arizona not-for-profit organization, was formed in fiscal year 1998-99. The Firm provides educational services to students in kindergarten through twelfth grades. The Firm operates under charter contracts with the Arizona State Board for Charter Schools, which mandates policy and operational guidelines. Each school operates under its respective charter contract with the Arizona State Board for Charter Schools and is funded primarily through State Equalization assistance. BDC, a Public Charter School, Inc. (BDC) is a separate 501(c)(3) corporation established in the District of Columbia in fiscal year 2011-12, whose sole member/owner is the Firm. BTX Schools, Inc. (BTX) is a separate 501(c)(3) corporation established in Texas in fiscal year 2011-12, whose sole member/owner is the Firm. To efficiently manage the schools, the Firm entered into a management services agreement with BASIS Educational Group Inc. (BASIS.ed, a related party) on June 25, 2009.

The Firm has campuses at the following locations:

School Name	First Year of Service	Grades served in 2013-2014
BASIS School, Tucson	1998-99	K-6
BASIS School, Scottsdale	2003-04	5-12
BASIS School, Oro Valley	2010-11	5-12
BASIS School, Chandler	2011-12	5-12
BASIS School, Flagstaff	2011-12	5-12
BASIS School, Peoria	2011-12	5-12
BASIS School, Tucson North	2012-13	5-12
BASIS School, Phoenix	2012-13	5-11
BASIS School, Ahwatukee	2013-14	5-10
BASIS School, Mesa	2013-14	5-10
BDC	2012-13	5-9
BTX	2013-14	5-8

The significant accounting policies of the Firm are as follows:

Principles of Consolidation: Generally accepted accounting principles require the Firm to consolidate entities in which it has control and an economic interest when that control is evidenced through majority ownership or voting interests. The Firm is the sole member/owner of BDC and BTX, therefore consolidation is required. The consolidated financial statements include the accounts of the Firm, BDC and BTX. All significant inter-organization balances and transactions have been eliminated in consolidation.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*. The Firm is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Firm does not have any permanently restricted net assets at June 30, 2014.

Use of Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions: The Firm follows the FASB ASC subtopic of *Revenue Recognition* for *Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support based on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see note 6).

Cash and Cash Equivalents: The Firm considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

Due from Government: Due from government consists mainly of state approved payments to the Firm to operate the charter schools and federal grants passed through the State of Arizona. The Firm has never experienced any losses due to non-payment, expects none on the June 30, 2014 balances, and therefore has not established an allowance for uncollectibility.

Other Receivables: Other receivables consists of miscellaneous receivables due to the Firm that will be collected during the fiscal year subsequent to June 30, 2014.

Prepaid Expenses: Prepaid expenses consists of goods and/or services purchased before June 30, 2014 that are to be used subsequent to June 30, 2014.

Loan Issuance Costs: Loan issuance costs and origination fees are deferred and amortized over the term of the loans.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment: Property and equipment with an initial cost of $5,000 or more and an estimated life of one year or more are capitalized. Assets are stated at cost. Depreciation and amortization is provided on the straight-line basis over the following estimated useful lives of the respective assets:

Buildings and improvements	40 years
Vehicles, furniture and equipment	3-5 years
Textbooks	3 years
Software	3 years
Leasehold improvements	Lesser of the estimated useful life or remaining term of applicable lease

Deferred Revenue: Deferred revenue represents amounts collected but not earned as of June 30, 2014.

Deposits Held For Others: Deposits held for others consists of student deposits required for the use of textbooks.

Advertising: Advertising costs are expensed as incurred.

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in Note 7. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Firm and its subsidiaries are exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Firm's and its subsidiaries Forms 990 *Return of Organization Exempt from Income Tax* are generally subject to examination for three years after they are filed, and the related State of Arizona Forms 99 are generally subject to examination for four years from the later of the due date or the file date of the tax return.

NOTE 2 - RESTRICTED CASH

Restricted cash consists of required deposits associated with the long-term debt (see note 5). The tax and insurance funds shall be used to pay real property taxes and premiums for the required insurance policies. The debt service reserve funds shall be used if the Firm is unable to make payments when due. The project funds shall be used solely to complete construction on the new campuses. The bond funds shall be used to pay the interest coming due. The accounts are held by U.S. Bank National Association and Bank of Arizona as trustee.

Restricted cash as of June 30, 2014 consisted of the following:

Tax and insurance funds	$ 27,772
Debt service reserve funds	1,359,895
Project funds	14,974,598
Bond funds	1,555,855
Total	$ 17,918,120

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Firm maintains its unrestricted cash with various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). At times, such cash may be in excess of FDIC insurance limits. The Firm has not experienced any losses in such accounts and management believes it is not exposed to any significant risks related to these accounts.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2014 consists of the following:

Land and improvements	$ 37,600,219
Buildings and leasehold improvements	68,324,140
Vehicles, furniture and equipment	1,956,034
Textbooks	2,199,302
Software	5,291
Construction in progress	16,485,149
Total	126,570,135
Less accumulated depreciation	5,999,565
Property and equipment, net	$ 120,570,570

Depreciation for the year ended June 30, 2014 totaled $4,881,299.

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2014:

Education Revenue Bonds (BASIS Tucson, Series 2006) were issued by the Industrial Development Authority of Pima County, Arizona, in the aggregate principal amount of $5,155,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated May 1, 2006. The loan matures over 30 years with an interest rate of 7.00%. Monthly principal and interest payments vary, and principal payments range from a minimum of $5,000 to a maximum of $43,333. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land, buildings and to fund improvements; (ii) to fund a debt service reserve fund; (iii) for the payment of loan issuance costs; and (iv) extinguishment of the outstanding Series 2004 Education Revenue Bonds. The loan is secured by a deed of trust on real property and through assignment of State Equalization revenues of the Firm.	$ 4,660,000
Education Revenue Bonds (BASIS Scottsdale, Series 2007) were issued by the Industrial Development Authority of Pima County, Arizona, in the aggregate principal amount of $9,000,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2007. The loan matures over 30 years with an interest rate of 6.75%. Monthly principal and interest payments vary, and principal payments range from a minimum of $8,333 to a maximum of $106,250. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land, buildings and to fund improvements; (ii) to fund a debt service reserve fund; and, (iii) for the payment of loan issuance costs. The loan is secured by a deed of trust on real property and through assignment of State Equalization revenues of the Firm.	8,290,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS Oro Valley, Series 2010) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of $5,450,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated March 1, 2010. The loan matures over 30 years with an interest rate of 7.75%. Monthly principal and interest payments vary, and principal payments range from a minimum of $4,583 to a maximum of $45,833, commencing on June 30, 2012. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Oro Valley's personal property and revenues, including revenues received from the State of Arizona under the BASIS Oro Valley charter, and a deed of trust on real property located at the BASIS Oro Valley site.	5,270,000
Education Revenue Bonds (BASIS Chandler, Series 2010A) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of $6,645,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated November 1, 2010. The loan matures over 30 years with an interest rate of 4.00% through June 30, 2012, and an interest rate of 7.00% thereafter. Monthly principal and interest payments vary, and principal payments range from a minimum of $6,667 to a maximum of $42,500, commencing on July 1, 2014. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Chandler's personal property and revenues, including revenues received from the State of Arizona under the BASIS Chandler charter, and a deed of trust on real property located at the BASIS Chandler site.	6,565,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS Peoria, Series 2010B) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of $6,665,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated November 1, 2010. The loan matures over 30 years with an interest rate of 4.00% through June 30, 2012, and an interest rate of 7.00% thereafter. Monthly principal and interest payments vary, and principal payments range from a minimum of $6,667 to a maximum of $42,917, commencing on July 1, 2014. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Peoria's personal property and revenues, including revenues received from the State of Arizona under the BASIS Peoria charter, and a deed of trust on real property located at the BASIS Peoria site.	6,585,000
Education Revenue Bonds (BASIS Flagstaff, Series 2010C) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of $6,995,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated December 1, 2010. The loan matures over 30 years with an interest rate of 4.00% through June 30, 2012, and an interest rate of 7.00% thereafter. Monthly principal and interest payments vary, and principal payments range from a minimum of $7,083 to a maximum of $45,000, commencing on July 1, 2014. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Flagstaff's personal property and revenues, including revenues received from the State of Arizona under the BASIS Flagstaff charter, and a deed of trust on real property located at the BASIS Flagstaff site.	6,910,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS Phoenix, Series 2011) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of $7,955,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated November 1, 2011. The loan matures over 30 years with an interest rate of 7.50%. Monthly principal and interest payments vary, and principal payments range from a minimum of $8,333 to a maximum of $53,750, commencing on July 1, 2015. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Phoenix's personal property and revenues, including revenues received from the State of Arizona under the BASIS Phoenix charter, and a deed of trust on real property located at the BASIS Phoenix site.	7,955,000
Education Revenue Bonds (BASIS Tucson North, Series 2012) were issued by the Industrial Development Authority of the County of Pima in the aggregate principal amount of $10,000,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated March 1, 2012. The loan matures over 30 years with an interest rate of 6.25% - 7.55%. Monthly principal and interest payments vary, and principal payments range from a minimum of $8,750 to a maximum of $111,250, commencing on July 1, 2015. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Tucson, BASIS Scottsdale and BASIS Tucson North's personal property and revenues, including revenues received from the State of Arizona under their respective charters, and a deed of trust on real property located at the BASIS Tucson North site.	10,000,000
$19,320,000 note payable to Education Capital Solutions, LLC dated February 29, 2012. Interest-only payments at the rate of 9.00% - 11.50% are due monthly, with a balloon payment due for the outstanding principal and unpaid interest balances in September 2032. The loan proceeds are to be used by the Firm to purchase and retrofit a campus for the BDC school. The loan is secured by a deed of trust on real property and through assignment of District educational revenues of BDC.	19,320,000

NOTE 5 - LONG-TERM DEBT - Continued

$1,680,000 note payable to Education Capital Solutions, LLC dated February 29, 2012. Interest-only payments at the rate of 9.00% - 11.50% are due monthly, with a balloon payment due for the outstanding principal and unpaid interest balances in September 2032. The loan proceeds are to be used by the Firm to purchase and retrofit a campus for the BDC school. The loan is secured by a deed of trust on real property and through assignment of District educational revenues of BDC.	1,680,000
$5,000,000 noninterest bearing note payable to 410 Eighth Street, LLC dated February 29, 2012, issued in connection with acquisition of a building for the BDC campus, due September 2029, less unamortized discount based on an imputed interest rate of 9.00%. The loan is secured by a deed of trust on real property and through assignment of District educational revenues of BDC.	2,161,128
Education Revenue Bonds (BASIS Ahwatukee, Series 2013) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $8,835,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2013. The loan matures over 30 years with an interest rate of 6.75%. Monthly principal and interest payments vary, and principal payments range from a minimum of $9,583 to a maximum of $55,417, commencing on July 1, 2016. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Ahwatukee's personal property and revenues, including revenues received from the State of Arizona under the BASIS Ahwatukee charter, and a deed of trust on real property located at the BASIS Ahwatukee site.	8,835,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS San Antonio, Series 2013A and 2013B) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $9,265,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated April 1, 2013. The loan matures over 30 years with an interest rate of 6.00% - 7.00%. Monthly principal and interest payments vary, and principal payments range from a minimum of $11,667 to a maximum of $56,250, commencing on July 1, 2016. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land and constructing, improving, and equipping a building; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by the Firm's personal property, all lease payments payable by BTX to the Firm, and a deed of trust on real property located at the BTX San Antonio site.	9,265,000
Education Revenue Bonds (BASIS Schools, Inc., Series 2013) were issued by the Industrial Development Authority of the County of Pima in the aggregate principal amount of $9,130,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated May 1, 2013. The loan matures over 30 years with an interest rate of 6.05% - 7.25%. Monthly principal and interest payments vary, and principal payments range from a minimum of $9,583 to a maximum of $86,667, commencing on July 1, 2016. The loan proceeds are to be used by the Firm for the following purposes: (i) to finance the costs of renovations and additions to BASIS Tucson and BASIS Scottsdale; (ii) to fund a debt service reserve fund and repair and replacement fund; (iii) to pay for capitalized interest; and, (iv) to pay loan issuance costs. The loan is secured by BASIS Tucson, BASIS Scottsdale and BASIS Tucson North's personal property and revenues, including revenues received from the State of Arizona under their respective charters, and deeds of trust on real property located at the BASIS Tucson and BASIS Scottsdale sites. Under the loan agreement, the Firm is required to comply with certain financial covenants, including a debt service coverage ratio greater than 1.10 to 1.00 and a liquidity covenant of unrestricted free cash greater than 6% of the prior 12 months' operating expenses. At June 30, 2014, the Firm was in compliance with these covenants.	9,130,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS Mesa, Series 2013) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $7,815,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated May 1, 2013. The loan matures over 30 years with an interest rate of 6.00% - 6.50%. Monthly principal and interest payments vary, and principal payments range from a minimum of $9,167 to a maximum of $47,500, commencing on July 1, 2016. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Mesa's personal property and revenues, including revenues received from the State of Arizona under the BASIS Mesa charter, and a deed of trust on real property located at the BASIS Mesa site.	7,815,000
Education Revenue Bonds (BASIS Oro Valley Primary, Series 2013) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $8,305,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated December 1, 2013. The loan matures over 30 years with an interest rate of 6.25% - 7.625%. Monthly principal and interest payments vary, and principal payments range from a minimum of $7,917 to a maximum of $54,583, commencing on July 1, 2016. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Oro Valley Primary's personal property and revenues, including revenues received from the State of Arizona under the BASIS Oro Valley Primary charter, and a deed of trust on real property located at the BASIS Oro Valley Primary site.	8,305,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS Phoenix Central, Series 2014) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $9,590,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2014. The loan matures over 30 years with an interest rate of 6.25% - 7.50%. Monthly principal and interest payments vary, and principal payments range from a minimum of $10,417 to a maximum of $63,333, commencing on July 1, 2017. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Phoenix Central's personal property and revenues, including revenues received from the State of Arizona under the BASIS Phoenix Central charter, and a deed of trust on real property located at the BASIS Phoenix Central site.	9,590,000
Education Revenue Bonds (BASIS Prescott, Series 2014) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $9,020,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2014. The loan matures over 30 years with an interest rate of 6.25% - 7.50%. Monthly principal and interest payments vary, and principal payments range from a minimum of $9,583 to a maximum of $59,583, commencing on July 1, 2017. The loan proceeds are to be used by the Firm for the following purposes: (i) to pay the costs of acquiring, constructing, improving, and equipping facilities; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by BASIS Prescott's personal property and revenues, including revenues received from the State of Arizona under the BASIS Prescott charter, and a deed of trust on real property located at the BASIS Prescott site.	9,020,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS San Antonio North, Series 2014A and 2014B) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $9,640,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated March 1, 2014. The loan matures over 30 years with an interest rate of 6.25% - 7.50%. Monthly principal and interest payments vary, and principal payments range from a minimum of $10,417 to a maximum of $63,750, commencing on July 1, 2017. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land and constructing, improving, and equipping a building; (ii) to pay for capitalized interest; and, (iii) to pay loan issuance costs. The loan is secured by the Firm's personal property, all lease payments payable by BTX to the Firm, and a deed of trust on real property located at the BTX San Antonio North site.	9,640,000
Total	150,996,128
Less current maturities	775,000
	$ 150,221,128

The aggregate future minimum payments on long-term debt as of June 30, 2014, are as follows:

Year ending June 30:	
2015	$ 775,000
2016	1,395,000
2017	1,860,000
2018	1,985,000
2019	2,110,000
Thereafter	142,871,128
	$ 150,996,128

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

The Firm received temporarily restricted contributions totaling $439,289 and $2,587,294, and disbursed $439,289 and $1,936,877 during the year ended June 30, 2014, for extracurricular activities and the Annual Teacher Fund, respectively.

At June 30, 2014, $118,592 and $2,318,741 remained in net assets temporarily restricted for extracurricular activities and the Annual Teacher Fund, respectively.

NOTE 7 - FUNCTIONAL EXPENSE CLASSIFICATION

The following is a summary of the Firm's expenses by function for the year ended June 30, 2014:

Primary education	$ 52,306,175
General and administrative	13,695,869
Fundraising	106,273
Total	$ 66,108,317

NOTE 8 - ECONOMIC DEPENDENCY

Approximately 71% of the Firm's revenue for the year ended June 30, 2014 was derived from the State of Arizona through payments of State Equalization, Classroom Site Funds (Proposition 301), State of Arizona grants, and federal grants passed through the State of Arizona. Non-federal funds that are paid from the State of Arizona are subject to funding approval from the state legislature. Changes in state funding levels for charter schools could have a significant impact on the Firm's revenues.

Approximately 63% of the Firm's total expenses for the year ended June 30, 2014 were paid to BASIS.ed (a related party, see note 9).

NOTE 9 - RELATED PARTY

Michael Block, an authorized agent for the Firm and a shareholder of BASIS.ed, maintained an active Board member position throughout the fiscal year. As a Board member, Mr. Block could influence the financial and operational activities of the Firm through voting authority. However, his voting power did not constitute a majority of the Firm's Board of Directors and Mr. Block recused himself from all votes involving BASIS.ed.

Under terms of the management agreement with BASIS.ed, the Firm incurred $30,439,299 for leased employee costs and $11,459,735 in management services fees, which included upper management salaries and related benefits, technology support, accounting, student enrollment and reporting, and new school development services. As of June 30, 2014, $2,238,457 was payable to BASIS.ed for accrued leased employee wages and $173,285 was payable to BASIS.ed for management fees.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

Compliance: The Firm's compliance with certain laws and regulations is subject to review by the State of Arizona, Office of the Auditor General and Department of Education. Such reviews could result in adjustments or withholding of State Equalization assistance.

Commitments:
The Firm has entered into agreements with BASIS.ed to provide charter school management, teaching services and administrative services for each of its schools, with various expiration dates through June 30, 2018. The Firm incurred $11,459,735 for such services during the fiscal year ended June 30, 2014. The fees are based on revenues and are adjusted for cost-of-living and growth in revenues in subsequent years. In addition, under the agreement the Firm leased all teachers and non-management on-site personnel from BASIS.ed.

During the fiscal year ending June 30, 2014, the Firm began construction of the Oro Valley Primary, Prescott, Phoenix Central and San Antonio North campuses. As of June 30, 2014, the Firm had $16,485,149 in construction in progress related to the new campuses, with remaining commitments of approximately $8,700,000 to complete the projects.

NOTE 11 - SUBSEQUENT EVENTS

The Firm has evaluated subsequent events through March 24, 2015, the date which the financial statements were available to be issued, and has concluded that no events have occurred since the year ended June 30, 2014 that would require an adjustment to the financial statements. However, the Firm did note the following transaction that occurred subsequent to the year end that should be disclosed:

On December 23, 2014, the Firm entered into an advancing bridge loan agreement for a school site not to exceed $11,250,000 for the purpose of acquiring real property and for the development, construction and installation of improvements on the property. Interest is payable at the rate of 6.50%. Advances may be made until December 31, 2015, at which time all outstanding principal and interest is due. The loan is secured by a deed of trust on real property.

SUPPLEMENTARY INFORMATION

BASIS SCHOOLS, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014

ASSETS	BSI	BDC	BTX	Eliminations	Totals
Current assets:					
Cash and cash equivalents	$ 7,537,054	$ 330,418	$ 819,364		$ 8,686,836
Due from government	4,178,410	380,378	759,501		5,318,289
Due from related parties	430,986	8,493	87,666	$ (373,894)	153,251
Other receivables	6,884	927	28,523		36,334
Prepaid expenses	311,141	20,189	21,525		352,855
Restricted cash, current	8,587,895				8,587,895
Total current assets	21,052,370	740,405	1,716,579	(373,894)	23,135,460
Noncurrent assets:					
Loan issuance costs, net of accumulated amortization of $501,029	5,371,308				5,371,308
Restricted cash, noncurrent	9,330,225				9,330,225
Property and equipment, net	120,475,504	95,066			120,570,570
Deposits	9,598	1,375			10,973
Total noncurrent assets	135,186,635	96,441			135,283,076
Total assets	$ 156,239,005	$ 836,846	$ 1,716,579	$ (373,894)	$ 158,418,536
LIABILITIES AND NET ASSETS (DEFICIT)					
Current liabilities:					
Accounts payable and accrued expenses	$ 1,138,231	$ 49,430	$ 352,623		$ 1,540,284
Accrued payroll	1,954,518	283,939			2,238,457
Accrued construction costs	7,032,040				7,032,040
Deferred revenue	87,559	17,256	497,312		602,127
Due to related party	85,951	480,688	133,798	$ (373,894)	326,543
Deposits held for others	1,490,311				1,490,311
Current maturities of long-term debt	775,000				775,000
Total current liabilities	12,563,610	831,313	983,733	(373,894)	14,004,762
Long-term debt, net of current maturities	150,221,128				150,221,128
Total liabilities	162,784,738	831,313	983,733	(373,894)	164,225,890
Net assets (deficit):					
Unrestricted (deficit)	(8,823,309)	(93,974)	672,596		(8,244,687)
Temporarily restricted	2,277,576	99,507	60,250		2,437,333
Total net assets (deficit)	(6,545,733)	5,533	732,846		(5,807,354)
Total liabilities and net assets (deficit)	$ 156,239,005	$ 836,846	$ 1,716,579	$ (373,894)	$ 158,418,536

BASIS SCHOOLS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	BSI			BDC		
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal
Revenue and support:						
State Equalization	$ 39,270,974		$ 39,270,974	$ 6,741,572		$ 6,741,572
Federal grants	1,948,279		1,948,279	536,705		536,705
State grants	2,785,029		2,785,029			
Extra-curricular activities contributions	2,630,721		2,630,721	28,759		28,759
Tax credit contributions		$ 439,289	439,289			
Other contributions	85,557	2,329,210	2,414,767	30	$ 99,507	99,537
Other revenue	2,412,853		2,412,853	155,844		155,844
Net assets released from restrictions	2,195,629	(2,195,629)		82,210	(82,210)	
Total revenue and support	51,329,042	572,870	51,901,912	7,545,120	17,297	7,562,417
Expenses and loss:						
Salaries and wages, leased employees	21,251,988		21,251,988	2,649,449		2,649,449
Payroll taxes and benefits, leased employees	4,099,122		4,099,122	447,100		447,100
Management fees	9,086,377		9,086,377	1,518,561		1,518,561
Legal fees	32,110		32,110	43,459		43,459
Accounting fees	55,999		55,999	25,157		25,157
Other service fees	1,355,773		1,355,773	668,991		668,991
Furniture and equipment	2,462,153		2,462,153			
Information technology	217,938		217,938			
Insurance	465,396		465,396	61,657		61,657
Travel				25,249		25,249
Advertising and promotion	40,700		40,700			
Occupancy	1,395,911		1,395,911	2,227,718		2,227,718
Office expenses	1,258,406		1,258,406	5,831		5,831
Fundraising expense	91,841		91,841	1,624		1,624
Interest	8,456,199		8,456,199	45		45
Depreciation	4,814,466		4,814,466	66,833		66,833
Amortization	166,602		166,602			
Loss on disposal of assets	56,853		56,853	5,975		5,975
Other expenses	1,033,924		1,033,924	129,816		129,816
Total expenses and loss	56,341,758		56,341,758	7,877,465		7,877,465
Change in net assets (deficit)	(5,012,716)	572,870	(4,439,846)	(332,345)	17,297	(315,048)
Net assets (deficit), beginning of year	(3,810,593)	1,704,706	(2,105,887)	238,371	82,210	320,581
Net assets (deficit), end of year	$ (8,823,309)	$ 2,277,576	$ (6,545,733)	$ (93,974)	$ 99,507	$ 5,533

BASIS SCHOOLS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2014
(CONTINUED)

	BTX			Eliminations	Totals		
	Unrestricted	Temporarily Restricted	Subtotal	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:							
State Equalization	$ 3,250,239		$ 3,250,239		$ 49,262,785		$ 49,262,785
Federal grants	50,831		50,831		2,535,815		2,535,815
State grants	36,671		36,671		2,821,700		2,821,700
Extra-curricular activities contributions	203,570		203,570		2,863,050		2,863,050
Tax credit contributions						$ 439,289	439,289
Other contributions	920,039	$ 158,577	1,078,610		1,005,620	2,587,294	3,592,914
Other revenue				$ (2,266,138)	302,559		302,559
Net assets released from restrictions	98,327	(98,327)			2,376,166	(2,376,166)	
Total revenue and support	4,559,671	60,250	4,619,921	(2,266,138)	61,167,695	650,417	61,818,112
Expenses and loss:							
Salaries and wages, leased employees	1,696,346		1,696,346		25,597,783		25,597,783
Payroll taxes and benefits, leased employees	295,294		295,294		4,841,516		4,841,516
Management fees	854,797		854,797		11,459,735		11,459,735
Legal fees	1,455		1,455		77,024		77,024
Accounting fees	12,917		12,917		94,073		94,073
Other service fees	497,451		497,451		2,522,215		2,522,215
Furniture and equipment					2,462,153		2,462,153
Information technology					217,938		217,938
Insurance	63,303		63,303		590,356		590,356
Travel	100,144		100,144		125,393		125,393
Advertising and promotion	8,792		8,792		49,492		49,492
Occupancy	456,791		456,791	(2,266,138)	1,814,282		1,814,282
Office expenses					1,264,237		1,264,237
Fundraising expense					93,465		93,465
Interest					8,456,244		8,456,244
Depreciation					4,881,299		4,881,299
Amortization					166,602		166,602
Loss on disposal of assets					62,828		62,828
Other expenses	167,942		167,942		1,331,682		1,331,682
Total expenses and loss	4,155,232		4,155,232	(2,266,138)	66,108,317		66,108,317
Change in net assets (deficit)	404,439	60,250	464,689		(4,940,622)	650,417	(4,290,205)
Net assets (deficit), beginning of year	268,157		268,157		(3,304,065)	1,786,916	(1,517,149)
Net assets (deficit), end of year	$ 672,596	$ 60,250	$ 732,846	$	$ (8,244,687)	$ 2,437,333	$ (5,807,354)

Exhibit H

BASIS Schools' Articles of Incorporation

ARIZONA CORP COMMISSION
FILED
APR 16 2018
FILE NO. 083357640

AZ Corp. Commission
06314477

FIRST AMENDMENT TO THE AMENDED AND RESTATED ARTICLES OF INCORPORATION OF BASIS SCHOOLS, INC.

Pursuant to the provisions of Arizona Revised Statutes § 10-11006, BASIS Schools, Inc., an Arizona nonprofit corporation, hereby adopts the following First Amendment to the Amended and Restated Articles of Incorporation of BASIS Schools, Inc. and certifies as follows:

1. The name of the corporation as currently reflected in the records of the Arizona Corporation Commission is "BASIS Schools, Inc." and the Arizona Corporation Commission File Number for the corporation is 0835764-0.

2. The filing of this First Amendment to the Amended and Restated Articles of Incorporation of BASIS Schools, Inc. includes a name change for the corporation to "BASIS Charter Schools, Inc."

3. The Resolution of the Board of Directors of BASIS Schools, Inc. which authorizes the name change for the corporation from "BASIS Schools, Inc." to "BASIS Charter Schools, Inc.," and which is the basis for this First Amendment to the Amended and Restated Articles of Incorporation of BASIS Schools, Inc., was duly adopted by the Board of Directors of the corporation on March 16, 2018, in the manner prescribed by the Arizona Revised Statutes. There are no members of the corporation entitled to vote on amendments to the Articles of Incorporation.

4. The document attached hereto as **Exhibit A** constitutes and sets forth the text of the amendment to the Amended and Restated Articles of Incorporation of BASIS Schools, Inc.

DATED this 13 day of April, 2018.

BASIS SCHOOLS, INC.

By: CR Barrett
Craig Barrett,
Chairman of the Board of Directors

EXHIBIT A

TEXT OF AMENDMENT TO THE AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
BASIS SCHOOLS, INC.

The first sentence of Article I of the Amended and Restated Articles of Incorporation of BASIS Schools, Inc. is amended to read in its entirety as follows:

The name of the corporation shall be "BASIS Charter Schools, Inc." (referred to herein as the "Corporation").

AZ CORP. COMMISSION
04095375

AZ CORPORATION COMMISSION
FILED

DEC 10 2012

FILE NO. 0835764-0

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF BASIS SCHOOL, INC.

(Including Name Change to "Basis Schools, Inc."

Pursuant to the provisions of Arizona Revised Statutes §§ 10-11006 and 10-11007, BASIS School, Inc., an Arizona nonprofit corporation, hereby adopts the following Amended and Restated Articles of Incorporation and certifies as follows:

1. The name of the corporation is "BASIS SCHOOL, INC."

2. The filing of these Amended and Restated Articles of Incorporation includes a name change for the corporation to "Basis Schools, Inc."

3. The Amendment to the Articles of Incorporation of the corporation was filed with the Arizona Corporation Commission on April 14, 2004, at File No. 11665025030.

4. The Articles of Incorporation for the corporation are being amended and restated in their entirety as set forth in Exhibit "A" attached hereto and incorporated herein by this reference.

5. The Amended and Restated Articles of Incorporation were adopted by the board of directors of the corporation on November 14, 2012, in the manner prescribed by the Arizona Nonprofit Corporation Act. No other person or group has the right to vote on amendments or restatements of the Articles of Incorporation.

6. The Amended and Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments and/or restatements thereto in their entirety.

Dated: November 14, 2012

BASIS SCHOOL, INC.

By: Donald V. Budinger
Donald V. Budinger, Secretary

EXHIBIT "A"

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

BASIS SCHOOLS, INC.

The undersigned incorporator, desiring to form a nonprofit corporation under laws of the State of Arizona, hereby adopts the following Articles of Incorporation.

I.
Name and Place of Business

The name of the corporation shall be "BASIS SCHOOLS, INC." (referred to herein as the "Corporation"). The initial place of business and address for the Corporation will be 11485 North 136th Street, Suite 109, Scottsdale, AZ 85259, but it will establish other principal places of business and other offices at such other places, either within or without the State of Arizona, as the Board of Directors may from time to time determine.

II.
Purpose and Activities

This Corporation is a nonprofit organization organized and operated exclusively for charitable, educational, literary, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), or corresponding provision of any future federal tax laws. Within the meaning of Section 501(c)(3), the Corporation's primary mission is to provide its students with an academically excellent and rigorous liberal arts college preparatory education for elementary through high school grades in charter schools. The Corporation will operate multiple campuses both located inside and outside of Arizona. Except as otherwise provided in these Articles, the Corporation also may transact any and all lawful business for which nonprofit corporations may be organized under the laws of Arizona, as amended from time to time.

III.
Limitation on Activities

(a) No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article II hereof. No substantial part of the Corporation's activities shall be the carrying on of propaganda or otherwise attempting to influence legislation. The Corporation shall not participate in or intervene in (including the publishing or distribution of statements with respect to) any political campaign on behalf of or in opposition to any candidate for public office.

(b) It is intended that this Corporation shall have the status of a corporation which is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) and is other than a private foundation by reason of being described in Section

170(b)(1)(A)(ii) and/or 509(a)(1) or (2) of the Code. These Articles shall be construed accordingly, and all powers and activities of the Corporation shall be limited accordingly.

(c) Notwithstanding any other provision of these Articles, the Corporation shall not carry on any activities not permitted to be carried on by a corporation: (1) exempt from income tax under Section 501(c)(3) of the Code or corresponding provision of any future federal tax laws; (2) contributions to which are deductible for income tax purposes under Section 170(c)(2) of the Code or corresponding provision of any future federal tax laws; (3) bequests, legacies, devises, and transfers to which are deductible for estate tax purposes under Section 2055(a)(2) of the Code or corresponding provision of any future federal tax laws; or (4) gifts to which are deductible for gift tax purposes under Section 2522(a)(2) of the Code or corresponding provision of any future federal tax laws.

IV.
Board of Directors

The current Board of Directors consists of seven (7) directors. The number of directors and their manner of election will be governed by the Bylaws. The names and addresses of the persons who serve as the directors are:

Don Budinger
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Craig Barrett
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

John Morton
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Clint Bolick
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Terry Sarvas
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Michael K. Block
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

Steve Twist
11485 North 136th Street, Suite 109
Scottsdale, AZ 85259

V.
Members

The Corporation shall have no members.

VI.
Limitation of Liability

The personal liability of a director of the Corporation, or of a person who serves on a board or council of the Corporation in an advisory capacity to the Corporation for money damages for any action taken or any failure to take action as a director is hereby eliminated to the fullest extent permitted by Arizona law as it now exists or hereafter may be amended. Any repeal or modification of this provision shall be prospective only, and shall not affect adversely any limitation on the personal liability of such person with respect to any act or omission occurring prior to the time of such repeal or modification.

VII.

Indemnification

To the fullest extent permitted by Arizona law as it now exists or hereafter may be amended, the Corporation shall indemnify every director, officer or agent of the Corporation against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, formal or informal, to which he or she is or was a party or is threatened to be made a party by reason of the fact that he or she is or was a director, officer, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, member or agent of another corporation or other entity. The foregoing rights of indemnification are limited as required by Arizona law, but shall be in addition to and not exclusive of all of the rights to which such persons may be entitled at law or otherwise. Any repeal or modification of this Article shall be prospective only and shall not adversely affect any indemnification rights of a director, officer or agent of the Corporation existing at the time of such repeal or modification.

VIII.

Dissolution

Upon dissolution of the Corporation, the Board of Directors, after making provision for the payment of all of the liabilities of the Corporation, shall arrange for the distribution of all of the assets of the Corporation exclusively for the tax-exempt purposes of the Corporation, by distribution to one or more organizations organized and operated exclusively for charitable, educational, literary, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code or corresponding provision of any future federal tax laws, as the Board of Directors shall determine. Any assets of the Corporation not so disposed of by the foregoing provisions shall be disposed of by the Superior Court of the County in which the principal office of the Corporation is then located, exclusively for the tax-exempt purposes of the Corporation or to such organization or organizations, as such Court shall determine, which are organized and operated exclusively for such purposes.

IX.

Statutory Agent

The name and address of the statutory agent is:

Terry Sarvas, Sarvas, Coleman, Edgell and Tobin P.C., 5050 N. 40th Street, Suite 310, Phoenix, AZ 85018-2153.

X.

Fiscal Year

The fiscal year for this Corporation shall be July 1 through June 30, unless otherwise fixed by a resolution of the Board of Directors.

Exhibit I

BASIS Schools' Bylaws

BYLAWS

OF

BASIS SCHOOL, INC.
An Arizona Nonprofit Corporation

ARTICLE 1

OFFICES AND CORPORATE SEAL

1.1 **Principal Office.** The principal office of the Basis School, Inc., an Arizona nonprofit corporation (the "Corporation") shall be its known place of business in Tucson, Arizona

1.2 **Offices.** The Corporation also may maintain offices at such other place or places, either within or without the State of Arizona, as may be designed from time to time by the Board of Directors and the business of the Corporation may be transacted and such other offices with the same effect as that conducted at the principal office.

1.3 **Corporate Seal.** A corporate seal shall not be requisite to the validity of any instrument executed by or on behalf of the Corporation, but one may be used if the officers or the Board of Directors so decide.

ARTICLE 2

PURPOSES

2.1 **Charitable Purposes.** The purposes for which the Corporation is formed are those set forth in its Articles of Incorporation, initially being organized exclusively for educational purposes within the meaning of Section 501 (c) (3) of the Internal Revenue Code of 1986, or the corresponding provisions of any future United States Internal Revenue Laws.

2.2 **Schools; School Boards; Advisory Boards; and Oversight Committees** Among its activities, the Corporation will develop and operate one or more schools, either within or without the State of Arizona. Each such school shall be provided with such means of oversight and direction as the Corporation's Board of Directors may prescribe from time to time, which may include School Boards or advisory or oversight committees established and appointed by the Board of Directors, and operating under such regulation of authorities and duties as the Board of Directors may provide.

2.2.1 **Arizona Charter Schools**. For such of the schools as are charter schools within the meaning of Arizona Revised Statutes section 15-183, the foregoing provisions of this section 2.2 are modified as follows: each such school holding a separate charter in Arizona shall be provided with a separate School Board consisting of not less than seven (7) voting members, which School Board shall constitute the governing body for the charter school that is responsible for the policy decisions of the charter school, within the meaning of A.R.S. 15-183, subd. E.8. Both voting and non-voting members of such School Boards shall be appointed by the Corporation's Board of Directors, for such terms and upon such conditions as the Directors may establish; provided, however, that not more than three (3) of the voting members of any one such School Board may simultaneously be members of the Corporation's Board of Directors; and provided further that, notwithstanding such terms and conditions, or other provisions as may be adopted to regulate such School Boards by the Corporation's Board of Directors, each such

School Board shall retain the responsibility for the policy decisions of its respective charter school within the meaning of A.R.S. 15-183, subd. E.8. Meetings of such School Boards shall be conducted in accordance with the applicable provisions of the Arizona public meeting law.

2.3 **Dividends Prohibited**. The Corporation is not formed for pecuniary or financial gain, and no part of the assets, income, or profit of the Corporation is distributable to, or will inure to the benefit of, its directors or officers or other private individual; provided, however, that nothing contained herein shall be construed to prevent the payment of reasonable compensation for services actually rendered by employees, officers or directors of the Corporation and reimbursement of expenses incurred in connection therewith.

ARTICLE 3

MEMBERSHIP

The Corporation will not have members.

ARTICLE 4

DIRECTORS

4.1 **Number; Chairman**. The board of directors shall consist of not less than three (3) persons nor more than nine (9) persons as determined by the board. The directors may choose from among their number a Chairman of the Board, who shall preside at the meetings of the board.

4.2 **Vacancies**. Vacancies and newly created directorship resulting from any increase in the authorized number of directors may be filled by the affirmative vote of a majority of remaining directors then in office, though not less that a quorum; or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and qualified, unless sooner replaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute,

4.3 **Powers**. The business and affairs of the Corporation shall be managed by its Board of Directors.

4.4 **Place of Meeting**. The Board of Directors of the Corporation may hold meetings, both regular, and special, either within or without the State of Arizona. Such may be held by mean of conference telephone or similar communications equipment by means of which all persons participation in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

4.5 **Annual Meeting**. The annual meeting of the board of directors shall be held before July 1 or at such other date and time as shall be designated by the Board of Directors and

stated in the notice of meeting. Notice to the current Board of Directors of each annual meeting shall be given by the secretary by mail, telephone, e-mail or telegram and shall be given at least ten (10) days and not more than fifty (50) days prior to such meeting. At the annual meeting, the current Board of Directors shall elect successor directors who shall immediately assume duties as directors. No notice shall be necessary to the newly constituted Board of Directors in order for the meeting legally to constitute the annually meeting, provided that the quorum of the newly constructed Board of Directors shall be present. At its annual meeting, the newly constructed Board of Directors shall elect the officers of the Corporation and may transact any other business, which may properly come before it. If a quorum of the newly constructed Board of Directors is not present, the annual meeting will be held as soon as practicable after the new directories are elected.

4.6 **Regular Meetings**. Regular meetings or the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board.

4.7 **Special Meetings**. Special meetings of the Board may be called by the president or Chairman of the Board or the secretary on ten (10) days notice to each director, either personally, by e-mail, by mail, by telegram or by telephone. Special meetings shall be called by the president or secretary in like manner and on like notice on the written request of any director, The time and place of each special meeting shall be determined by the president, but in the case of meeting called upon the request of a director the time of such meeting shall be no later than the expiration of a ten (10) day period following the date of such request or such longer period as may be specified in the request.

4.8 **Quorum**. A majority of the membership of the Board of Directors shall constitute a quorum and the concurrence of a majority of those present shall be sufficient to conduct the business of the Board, except as may be otherwise specifically provided by statute or by the Articles of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors then present may adjourn the meeting to another time or place, without a notice other than announcement at the meeting, until a quorum shall be present.

4.9 **Action without Meeting**. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

4.10 **Waiver Notice**. Attendance by a director at a meeting shall constitute waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any director may waive notice of any annual, regular or special meeting of directors by executing a written notice of waiver either before or after the time of the meeting.

4.11 **Compensation**. The amount or rate of such compensation of members of the Board of Directors or of committees shall be established by the Board of Directors and shall be set forth in the minutes of the board.

ARTICLE 5

OFFICERS

5.1 **Designation of Titles.** The officers of the Corporation shall be chosen by the Board of Directors and shall be a president, a secretary and a treasurer. The Board of Directors also may choose one or more vice presidents, one or more assistant secretaries and assistant treasurers and an Executive Director, Any number of offices, except the offices of president and secretary may be held by the same person, unless the Articles of Incorporation or these Bylaws provide otherwise.

5.2 **Appointment of Officers.** The Board or Directors at each annual meeting shall elect a president, a secretary and a treasurer, each of whom shall serve at the pleasure of the Board of Directors. The Board of Directors at any time may appoint such other officers and agents as it shall deem necessary to hold office at the pleasure of the Board of Directors and to exercise such powers and performs such duties as shall be determined from time to time by the board

5.3 **Salaries** The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented form receiving such salary by reason of the fact that he is also a director of the Corporation.

5.4 **Term.** The officers of the Corporation shall hold office until their successors are chosen and qualify on their stead. Any officer elected by the Board of directors may be removed at any time by the board of directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

5.5 **President.** The president shall function as the Chief Executive Officer of the Corporation. He or she shall sign all deeds and conveyances, all contracts and agreements and all other instruments requiring execution on the behalf of the Corporation, and shall act as operating and directing head of the Corporation, and all of its constituent activities, including the operation of BASIS schools, subject to the general management of the Corporation's Board of Directors and to policies, procedures, and limitations established by the Board of Directors in these by-laws or otherwise. In the absence of the Chairman of the Board, the President shall preside at all meetings of the Board of Directors.

5.6 **Secretary.** The secretary shall see that the minutes of all meetings of the Board of Directors and of any standing committees are kept. He or she shall be the custodian of the corporate seal and shall affix it to all proper instruments when deemed advisable by him or her or when instructed by the Board. He or she shall give or cause to be given required notices of all meetings of the Board of Directors. He or She shall have charge of all books and records of the Corporation, except the books of account, and in general shall perform all duties incident to the office of secretary of a corporation and such other duties as may be assigned to him or her by the Board of Directors.

5.7 **Treasurer.** The treasurer shall have general custody of all the funds and securities of the Corporation. He or she shall see to the deposit of the funds of the Corporation in such bank or banks as the Board of Directors may designate. Regular books of account shall be kept under his direction and supervision, and he or she shall render financial statements to the president and

Directors at proper times. The treasurer shall have charge of the preparation and filing of such reports, financial statements and returns as may be required by law. He or she shall give to the Corporation such fidelity bond as may be required by the Board and the premium paid by the Corporation as an operating expense. He or she shall see that the Corporation properties are adequately insured against liability.

ARTICLE 6

COMMITTEES OF DIRECTORS

The Board of Directors may, by resolution passed by a majority of the whole Board designate one (1) or more committees, to consist of two (2) or more members of the Directors of the Corporation. Any such committee, to the extent provided in the resolution, and as otherwise restricted by law, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that in the absence of disqualification of any member of such committee or committees, the member or members thereof present at any meeting not disqualified from voting, whether or not he or she or they constitute a quorum, may unanimously appoint another of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

ARTICLE 7

NONDISCRIMINATION POLICY STATEMENT

It shall be the policy of the Corporation and of any school operated by the Corporation that such school shall admit students of any race, color, national, and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at such school. No school shall discriminate on the basis of race, color, national and ethnic origin in administration of its educational policies, admissions policies, scholarship and loan programs, and athletic and other school- administered programs. The Corporation shall make its nondiscrimination policy known to all segments of the general community served by the schools at least annually, strictly in accordance with the broad dissemination standards as set forth by relevant publication of the Internal Revenue Service; and shall further strive to include notice of its said policy in all brochures, catalogues and advertising dealing with student admissions, program, and scholarships. The Corporation shall monitor compliance with said policy to ensure its application to the Corporation's activities, and shall also keep records concerning the racial composition of its student body, faculty, and staff, as well as its racially nondiscriminatory policy, including records of the publication of that policy, in accordance with the requirements of the Internal Revenue Service.

ARTICLE 8

REPEAL ALTERATION OR AMENDMENT

These Bylaws may be repealed, altered or amended, or substitute Bylaws may be adopted at any time, only by a majority of the board of directors.

Dated this April 27, 2010

Exhibit J

BASIS Schools' Financial Report

BASIS Charter Schools	FY 2019 School Budget	FY 2019 Q1-Q4 Actuals	FY 2019 Q1-Q4 Actuals as % of Budget
Student Count	15,756	15,612	99%
State Revenue			
State Aid	$99,852,543	$100,101,634	100%
Classroom Site Fund	$7,673,395	$7,452,517	97%
Instructional Improvement Fund	$679,628	$654,478	96%
College Credit Incentive Fund	$732,300	$1,051,924	144%
Results Based Funding	$2,760,075	$2,939,507	107%
Total State Revenue	**$111,697,941**	**$112,200,060**	**100%**
Federal Revenue			
Start-up Grant	$250,000	$452,652	181%
Title Programs & SEI Programs	$101,976	$88,851	87%
IDEA	$1,347,581	$1,590,282	118%
Total Federal Revenue	**$1,699,557**	**$2,131,785**	**125%**
Local Revenue			
Annual Teacher Fund	$6,504,940	$5,055,064	78%
Other Donations/Intl. Student Program Rev.	$73,800	$602,474	816%
Reimbursable Activities Revenue	$10,054,827	$9,490,576	94%
Other Miscellaneous & Full Day K Revenue	$5,437,440	$4,019,332	74%
Total Local Revenue	**$22,071,007**	**$19,167,446**	**87%**
Total Revenue	**$135,468,505**	**$133,499,292**	**99%**
Total Payroll	**$84,301,076**	**$84,212,532**	**100%**
Other Expenses			
SME-Student Driven	$3,410,795	$2,815,604	83%
SME-Maintenance	$4,013,341	$3,891,852	97%
Reimbursable Activities Expenses	$4,168,256	$4,413,468	106%
Sponsored Testing	$968,866	$831,697	86%
Insurance + Audit Fees	$1,108,483	$855,483	77%
Internet	$515,035	$416,924	81%
Hiring and Professional Development	$1,816,447	$1,282,987	71%
Other Expenses	$1,564,110	$2,457,613	157%
Core Fee	$2,407,642	$1,444,067	60%
Debt Service	$13,525,517	$13,525,517	100%
Service Fees	$14,698,529	$14,642,642	100%
Total Other Expenses	**$48,197,020**	**$46,577,854**	**97%**
Total Expenses	**$132,498,095**	**$130,790,386**	**99%**
Total Net Surplus before Dep. Amor. & Cap X	**$2,970,410**	**$2,708,906**	**91%**
BCSI Sub-grant to BBR on behalf of NSBR	**$0**	**($671,519)**	
Total Net Surplus before Dep. Amor. & Cap X	**$2,970,410**	**$2,037,387**	**69%**

BASIS Charter Schools

BASIS Charter Schools, Inc.
FY 2019 Q4 Statement of Financial Position
6/30/2019

Assets	
Current Assets	
Cash & Cash Equivalents	$17,708,082
Restricted Cash	$41,502,632
Accounts Receivable	$557,330
Other Current Assets	$27,537,076
Total Current Assets	**$87,305,120**
Non-Current Assets	
Fixed Assets	$294,074,256
Less Accumulated Depreciation	-$23,913,344
Total Non-Current Assets	**$270,160,912**
Total Assets	**$357,466,032**
Liabilities and Net Assets	
Liabilities	
Current Liabilities	
Accounts Payable	$27,502,576
Other Current Liabilities	$11,440,280
Total Current Liabilities	**$38,942,856**
Non-Current Liabilities	
Long Term Liabilities	$365,581,395
Other Liabilities	
Total Non-Current Liabilities	**$365,581,395**
Total Liabilities	**$404,524,251**
Net Assets	
Beginning Net Assets	-$49,095,606
Net Surplus	$2,037,387
Total Net Assets	**-$47,058,218**
Total Liabilities and Net Assets	**$357,466,032**

BASIS CHARTER SCHOOLS, INC.

Consolidated Financial Statements
and
Supplementary Information

Year Ended June 30, 2018

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FESTER & CHAPMAN PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
BASIS Charter Schools, Inc.
Scottsdale, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of BASIS Charter Schools, Inc. and subsidiaries (the Firm), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of BDC, a Public Charter School, Inc. (BDC) and BTX Schools, Inc. (BTX), subsidiaries of the Firm, which statements reflect total assets constituting 2% of the consolidated total assets, and total revenues and support constituting 21% of the consolidated total revenues and support, as of and for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for BDC and BTX, is based solely on the reports of the other auditors. We conducted our audit 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 consolidated financial statements are free from material misstatement.

Address • 9019 East Bahia Drive Suite 100 • Scottsdale, AZ 85260 | **Phone** • (602) 264-3077 | **Fax** • (602) 265-6241

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BASIS Charter Schools, Inc. and subsidiaries as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019 on our consideration of the Firm'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 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 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 the Firm's internal control over financial reporting and compliance.

Fester & Chapman, PLLC

January 31, 2019

BASIS CHARTER SCHOOLS, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

Current assets:	
Cash and cash equivalents	$ 17,265,236
Due from government	3,733,607
Other receivables	507,157
Prepaid expenses, current	2,301,028
Prepaid debt service	4,405,001
Restricted cash, current	18,506,100
Total current assets	46,718,129
Noncurrent assets:	
Prepaid expenses, noncurrent	2,589,593
Restricted cash, noncurrent	56,048,342
Property and equipment, net	249,047,070
Deposits	380,490
Total noncurrent assets	308,065,495
Total assets	$ 354,783,624

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:	
Accounts payable and accrued expenses	$ 13,549,011
Accrued construction costs	15,195,665
Deferred revenue	1,766,905
Deposits held for others	2,333,730
Current maturities of long-term debt	4,405,001
Total current liabilities	37,250,312
Long-term debt, net	361,354,588
Total liabilities	398,604,900
Net assets (deficit):	
Unrestricted (deficit)	(50,695,395)
Temporarily restricted	6,874,119
Total net assets (deficit)	(43,821,276)
Total liabilities and net assets (deficit)	$ 354,783,624

The accompanying notes are an integral part of these statements.

BASIS CHARTER SCHOOLS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
State revenues	$ 120,517,024		$ 120,517,024
Federal revenues	2,124,267		2,124,267
Local revenues	14,400,382	$ 8,486,939	22,887,321
Net assets released from restrictions	6,523,271	(6,523,271)	
Total revenue and support	143,564,944	1,963,668	145,528,612
Expenses:			
Primary and secondary education	128,432,218		128,432,218
General and administrative	22,664,457		22,664,457
Fundraising	1,084,598		1,084,598
Total expenses	152,181,273		152,181,273
Change in net assets (deficit) before unrealized loss and write-off of loan issuance costs and prepayment penalties	(8,616,329)	1,963,668	(6,652,661)
Write-off of loan issuance costs and prepayment penalties	(5,015,513)		(5,015,513)
Change in net assets (deficit)	(13,631,842)	1,963,668	(11,668,174)
Net assets (deficit), beginning of year	(37,063,553)	4,910,451	(32,153,102)
Net assets (deficit), end of year	$ (50,695,395)	$ 6,874,119	$ (43,821,276)

The accompanying notes are an integral part of these statements.

BASIS CHARTER SCHOOLS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

Cash flows from operating activities:	
Change in net assets (deficit)	$ (11,668,174)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:	
Depreciation	7,196,494
Amortization of loan issuance costs	745,775
Amortization of bond premium	(172,656)
Gain on disposal of assets	(132,094)
Write-off of loan issuance costs and prepayment penalties	5,015,513
Changes in:	
Due from government	(1,155,323)
Other receivables	61,546
Prepaid expenses	598,132
Deposits	(352,061)
Accounts payable and accrued expenses	5,523,200
Deferred revenue	313,297
Deposits held for others	205,211
Net cash provided by operating activities	6,178,860
Cash flows from investing activities:	
Funds used for prepaid debt service	(1,540,001)
Net deposits to restricted cash	(39,820,567)
Purchases of property and equipment	(52,118,159)
Net cash used in investing activities	(93,478,727)
Cash flows from financing activities:	
Proceeds from loans	88,623,413
Principal payments on long-term debt	(2,485,000)
Net cash provided by financing activities	86,138,413
Net decrease in cash and cash equivalents	(1,161,454)
Cash and cash equivalents, beginning of year	18,426,690
Cash and cash equivalents, end of year	$ 17,265,236

Supplemental disclosures	
Cash paid during the year for interest expensed	$ 13,305,063
Cash paid during the year for interest capitalized	$ 2,178,649
Loan proceeds paid directly for prepaid interest and issuance costs	$ 5,015,513
Loan proceeds paid directly to refinance outstanding loans payable	$ 27,844,952

The accompanying notes are an integral part of these statements.

BASIS Charter Schools, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS Charter Schools, Inc. (the Firm), an Arizona not-for-profit organization, was formed in fiscal year 1998-99. The Firm provides educational services to students in kindergarten through twelfth grades. The Firm operates under charter contracts with the Arizona State Board for Charter Schools, which mandates policy and operational guidelines. Each school operates under its respective charter contract with the Arizona State Board for Charter Schools and is funded primarily through State Equalization assistance. BDC, a Public Charter School, Inc. (BDC) is a separate 501(c)(3) corporation established in the District of Columbia in fiscal year 2011-12, whose sole member/owner is the Firm. BTX Schools, Inc. (BTX) is a separate 501(c)(3) corporation established in Texas in fiscal year 2011-12, whose sole member/owner is the Firm. BBR Schools, Inc. (BBR) is a separate 501(c)(3) corporation established in Louisiana in fiscal year 2016-17, whose sole member/owner is the Firm. To efficiently manage the schools, the Firm entered into a management services agreement with BASIS Educational Group Inc. (BASIS.ed) on June 25, 2009.

The Firm has campuses at the following locations:

School Name	First Year of Service	Grades served in 2017-2018
BASIS School, Tucson Primary	1998-99	K-4
BASIS School, Scottsdale	2003-04	4-12
BASIS School, Oro Valley	2010-11	6-12
BASIS School, Chandler	2011-12	5-12
BASIS School, Flagstaff	2011-12	3-12
BASIS School, Peoria	2011-12	5-12
BASIS School, Tucson North	2012-13	5-12
BASIS School, Phoenix	2012-13	5-12
BASIS School, Ahwatukee	2013-14	4-12
BASIS School, Mesa	2013-14	3-12
BASIS School, Oro Valley Primary	2014-15	K-5
BASIS School, Prescott	2014-15	K-12
BASIS School, Phoenix Central	2014-15	K-8
BASIS School, Chandler Primary South	2015-16	K-4
BASIS School, Goodyear	2015-16	6-10
BASIS School, Goodyear Primary	2015-16	K-5
BASIS School, Scottsdale Primary	2015-16	K-3
BASIS School, Chandler Primary North	2016-17	K-4
BASIS School, Peoria Primary	2017-18	K-4
BASIS School, Phoenix South Primary	2017-18	K-2
BDC	2012-13	5-12
BTX (3 schools)	2013-14	K-12

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The significant accounting policies of the Firm are as follows:

Principles of Consolidation: Generally accepted accounting principles require the Firm to consolidate entities in which it has control and an economic interest when that control is evidenced through majority ownership or voting interests. The Firm is the sole member/owner of BDC, BTX, and BBR, therefore consolidation is required. The consolidated financial statements include the accounts of the Firm, BDC, BTX, and BBR. During the year ended June 30, 2018, BBR did not have any financial activity. All significant inter-organization balances and transactions have been eliminated in consolidation.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*. The Firm is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Firm does not have any permanently restricted net assets at June 30, 2018.

Use of Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions: The Firm follows the FASB ASC subtopic of *Revenue Recognition* for *Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support based on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see Note 6).

Cash and Cash Equivalents: The Firm considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Due from Government: Due from government consists mainly of state approved payments to the Firm to operate the charter schools and federal grants passed through the State of Arizona. The Firm has never experienced any losses due to non-payment, expects none on the June 30, 2018 balances, and therefore has not established an allowance for uncollectibility.

Other Receivables: Other receivables consists of miscellaneous receivables due to the Firm that will be collected during the fiscal year subsequent to June 30, 2018.

Prepaid Expenses: Prepaid expenses consists of goods and/or services purchased before June 30, 2018 that are to be used subsequent to June 30, 2018.

Loan Issuance Costs: Loan issuance costs and origination fees are deferred and amortized over the term of the associated loans and are included in the Consolidated Statement of Financial Position as an offset to the related debt (see Note 5). During the year ended June 30, 2018, $731,707 of loan issuance costs were written off as part of debt refinancing.

Property and Equipment: Property and equipment with an initial cost of $300 or more and an estimated life of one year or more are capitalized. In addition, textbooks are always capitalized and considered a separate asset class. Assets are stated at cost. Depreciation and amortization is provided on the straight-line basis over the following estimated useful lives of the respective assets:

Buildings and improvements	40 years
Vehicles, furniture and equipment	3-5 years
Textbooks	3 years
Software	3 years
Leasehold improvements	Lesser of the estimated useful life or remaining term of applicable lease

Deferred Revenue: Deferred revenue represents amounts collected but not earned as of June 30, 2018.

Deposits Held For Others: Deposits held for others consists of student deposits required for the use of textbooks.

Advertising: Advertising costs are expensed as incurred and totaled $534,004 for the year ended June 30, 2018.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Firm and its subsidiaries are exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

NOTE 2 - RESTRICTED CASH

Restricted cash consists of required deposits associated with the long-term debt (see Note 5). The tax and insurance funds shall be used to pay real property taxes and premiums for the required insurance policies. The debt service reserve funds shall be used if the Firm is unable to make payments when due. The project funds shall be used to complete construction on the new campuses and furnishings and renovations to existing campuses. The bond funds shall be used to pay the interest coming due. The accounts are held by Bank of Arizona as trustee.

Restricted cash as of June 30, 2018 consisted of the following:

Debt service reserve funds	$ 22,903,245
Repair and replacement funds	48,377
Tax and insurance funds	2,729
Project funds	46,740,762
Bond funds	4,859,329
Total	$ 74,554,442

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Firm maintains its unrestricted cash and cash equivalents with various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). At times, such cash and cash equivalents may be in excess of FDIC insurance limits. The Firm has not experienced any losses in such accounts and management believes it is not exposed to any significant risks related to these accounts.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2018 consists of the following:

Land and improvements	$ 53,512,734
Buildings and leasehold improvements	155,616,117
Vehicles, furniture and equipment	12,163,090
Textbooks	6,211,335
Software	261,264
Construction in progress	46,287,299
Total	274,051,839
Less accumulated depreciation	25,004,769
Property and equipment, net	$249,047,070

Depreciation for the year ended June 30, 2018 totaled $7,196,494.

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2018:

$1,725,250 promissory note payable to the City of Goodyear dated December 23, 2014. The loan matures over 30 years at an interest rate of 3.26%. Annual interest only payments of $54,613 are due through December 2024, and annual principal and interest payments of $114,125 start in January 2025. The note matures in December 2044. The loan was used to purchase real property for BASIS Goodyear and BASIS Goodyear Primary and is secured by a deed of trust on real property.	$ 1,675,250

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS, Series 2015A) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $89,140,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated March 1, 2015. The loan matures over 30 years with interest rates between 3.00% and 5.00%. Annual principal and interest payments vary, and principal payments range from a minimum of $370,000 to a maximum of $5,650,000 commencing on July 1, 2016. The loan proceeds were used by the Firm for the following purposes: to (i) finance and refinance the costs of acquiring, constructing, improving and equipping various campuses, (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 expenses related to the Bonds. The loan is secured by BASIS Chandler, Flagstaff, Goodyear, Goodyear Primary, Oro Valley, Peoria, Phoenix, Scottsdale, Tucson North, and Tucson Primary (the Obligated Schools'), and all subsequent entrants into the Obligated Group's revenue received from the State of Arizona under the Obligated Schools charters, and a deed of trust on real property located at the Obligated Schools sites. These Bonds were sold at a premium of $1,341,705, which is included in the unamortized net premium.	87,200,000
Education Revenue Bonds (BASIS, Series 2016A) were issued by the Industrial Development Authority of the City of Phoenix, Arizona in the aggregate principal amount of $84,160,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated January 1, 2016. The loan matures over 30 years with interest rates between 3.00% and 5.00%. Annual principal and interest payments vary, and principal payments range from a minimum of $690,000 to a maximum of $11,110,000, commencing on July 1, 2017. The loan proceeds were used by the Firm for the following purposes: to (i) finance and refinance the costs of acquiring, constructing, improving and equipping various campuses, (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 expenses related to the Bonds. The loan is secured by the existing and newly entered Obligated Schools revenue received from the State of Arizona and the District of Columbia under the Obligated Schools charters, and a deed of trust on real property located at the Obligated Schools sites. The newest members of the Obligated Group are BASIS DC, BASIS Chandler Primary North, Oro Valley Primary, and Scottsdale Primary These Bonds were sold at a premium of $1,097,887, which is included in the unamortized net premium.	83,470,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS, Series 2017A and 2017B) were issued by the Arizona Industrial Development Authority in the aggregate principal amount of $75,960,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2017. The loan matures over 34 years with interest rates between 4.00% and 5.375%. Annual principal and interest payments vary, and principal payments range from a minimum of $225,000 to a maximum of $10,460,000, commencing on July 1, 2017. The loan proceeds were used by the Firm for the following purposes: to (i) finance and refinance the costs of acquiring, constructing, improving and equipping various campuses, (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 expenses related to the Bonds. The loan is secured by the existing and newly entered Obligated Schools revenue received from the State of Arizona, the District of Columbia, and the State of Texas under the Obligated Schools charters, and a deed of trust on real property located at the Obligated Schools sites. The newest members of the Obligated Group are BASIS Chandler Primary South, Peoria Primary, Phoenix Central, Phoenix South Primary, Prescott, and San Antonio North Central. These Bonds were sold at a discount of $227,672, which is included in the unamortized net premium/discount.	75,735,000
Education Revenue Bonds (BASIS, Series 2017C, 2017D, and 2017E) were issued by the Arizona Industrial Development Authority in the aggregate principal amount of $43,715,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated October 1, 2017. The loan matures over 34 years with interest rates between 3.00% and 5.25%. Annual principal and interest payments vary, and principal payments range from a minimum of $155,000 to a maximum of $14,365,000, commencing on July 1, 2018. The loan proceeds were used by the Firm for the following purposes: to (i) finance the costs of acquiring, constructing, improving and equipping various campuses, (ii) pay capitalized interest on a portion of the bonds, (iii) fund all or a portion of the Debt Service Reserve Funds, and (iv) pay the costs of issuance of the bonds. The loan is secured by the existing and newly entered Obligated Schools revenue received from the State of Arizona, the District of Columbia, and the State of Texas under the Obligated Schools charters, and a deed of trust on real property located at the Obligated Schools sites. The newest members of the Obligated Group are BASIS Ahwatukee and San Antonio Shaveno. These Bonds were sold at a premium of $1,415,975, which is included in the unamortized net premium/discount.	43,715,000

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (BASIS, Series 2017F and 2017G) were issued by the Arizona Industrial Development Authority in the aggregate principal amount of $57,455,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated December 1, 2017. The loan matures over 34 years with interest rates between 3.00% and 5.00%. Annual principal and interest payments vary, and principal payments range from a minimum of $110,000 to a maximum of $3,405,000, commencing on July 1, 2018. The loan proceeds were used by the Firm for the following purposes: to (i) finance the costs of acquiring, constructing, improving and equipping various campuses, (ii) pay capitalized interested on a portion of the Bonds, (iii)fund all or a portion of the Debt Service Reserve Funds, and (iv) pay the costs of issuance of the bonds. The loan is secured by the existing and newly entered Obligated Schools revenue received from the State of Arizona, the District of Columbia, and the State of Texas under the Obligated Schools charters, and a deed of trust on real property located at the Obligated Schools sites. The newest members of the Obligated Group are BASIS Mesa, Phoenix Primary, and San Antonio Medical Center. These Bonds were sold at a premium of $5,054,153 which is included in the unamortized net premium/discount.	57,455,000
Education Revenue Bonds (BASIS, Series 2018A) were issued by the Arizona Industrial Development Authority in the aggregate principal amount of $16,295,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated March 1, 2018. The loan matures over 34 years with interest rates between 6.00% and 6.375%. Annual principal and interest payments vary, and principal payments range from a minimum of $440,000 to a maximum of $1,365,000, commencing on July 1, 2024. The loan proceeds were used by the Firm for the following purposes: to (i) finance the costs of acquiring, constructing, improving and equipping, as applicable the Baton Rouge campus (ii) pay capitalized interested on the bonds (iii) fund a portion of the Debt Service Reserve Fund and (iv) pay the costs of issuance of the bonds. The loan is secured by the existing and newly entered Obligated Schools revenue received from the State of Arizona, the District of Columbia, the State of Texas, and the State of Louisiana under the Obligated Schools charters, and a deed of trust on real property located at the Obligated Schools sites. The newest member of the Obligated Group is BASIS Baton Rouge. These Bonds were sold at a discount of $235,254 which is included in the unamortized net premium/discount.	16,295,000

NOTE 5 - LONG-TERM DEBT - Continued

The Firm has an unsecured $500,000 line of credit with Wells Fargo Bank, of which $500,000 was outstanding at June 30, 2018. The line of credit agreement is subject to annual renewal. Interest is payable monthly at 6.75%.	500,000
Total	366,045,250
Plus unamortized net premium/discount	8,121,147
Less unamortized loan issuance costs	8,406,808
Less current maturities	4,405,001
	$ 361,354,588

The aggregate future minimum payments on long-term debt as of June 30, 2018, are as follows:

Year ending June 30:	
2019	$ 4,405,001
2020	4,180,000
2021	4,390,000
2022	5,125,000
2023	5,290,000
Thereafter	342,655,249
	366,045,250
Plus unamortized net premium/discount	8,121,147
Less unamortized loan issuance costs	8,406,808
	$ 365,759,589

Under the loan agreements, the Firm is required to comply with certain financial covenants. At June 30, 2018 the Firm was in compliance with those covenants.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

The Firm received temporarily restricted contributions totaling $8,486,939, and disbursed $6,523,271 from these contributions during the year ended June 30, 2018, for extracurricular activities and the Annual Teacher Fund.

At June 30, 2018, $6,874,119 remained in net assets temporarily restricted for the Annual Teacher Fund.

NOTE 7 - ECONOMIC DEPENDENCY

Approximately 65% of the Firm's revenue for the year ended June 30, 2018 was derived from the State of Arizona through payments of State Equalization, Classroom Site Funds (Proposition 301), State of Arizona grants, and federal grants passed through the State of Arizona. Non-federal funds that are paid from the State of Arizona are subject to funding approval from the state legislature. Changes in state funding levels for charter schools could have a significant impact on the Firm's revenues.

Approximately 60% of the Firm's total expenses for the year ended June 30, 2018 were paid to BASIS.ed for leased employee costs and approximately 11% were paid to BASIS.ed for management services fees.

NOTE 8 - OPERATING LEASES

The Firm entered into leases for some of its school sites under the provisions of long-term lease agreements classified as operating leases. Rental expense under these leases was $88,000 for the year ended June 30, 2018. Future minimum operating lease commitments are as follows:

Year ending June 30,	
2019	$ 662,026
2020	858,065
2021	858,065
2022	566,865
2023	566,865
Thereafter	14,738,490
	$ 18,250,376

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

Compliance: The Firm's compliance with certain laws and regulations is subject to review by the State of Arizona, Office of the Auditor General and Department of Education. Such reviews could result in adjustments or withholding of State Equalization assistance.

Commitments: The Firm has entered into agreements with BASIS.ed to provide charter school management, teaching services and administrative services for each of its schools, with various expiration dates through June 30, 2020. Under terms of the management agreement with BASIS.ed, the Firm incurred $91,399,292 for leased employee costs and $16,704,331 in management services fees, which comprise of three services categories including management services, operational services, and financial services. The fees are based on revenues and are adjusted for cost-of-living and growth in revenues in subsequent years.

During the fiscal year ending June 30, 2018, the Firm began construction and renovations to various campuses. As of June 30, 2018, the Firm had $46,287,299 in construction in progress related to these campuses, with remaining commitments of approximately $11,000,000 to complete the projects.

NOTE 10 - SUBSEQUENT EVENTS

The Firm has evaluated subsequent events through January 31, 2019, the date which the financial statements were available to be issued, and has concluded that no events have occurred since the year ended June 30, 2018 that would require an adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

BASIS CHARTER SCHOOLS, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2018

	BSI	BDC	BTX	Eliminations	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	$ 13,838,740	$ 1,584,320	$ 1,842,176		$ 17,265,236
Due from government	1,134,391	80,867	2,518,349		3,733,607
Due from related party	341,111			$ (341,111)	
Other receivables	406,680	71,363	29,114		507,157
Prepaid expenses	2,186,892	11,885	102,251		2,301,028
Prepaid debt service	4,405,001				4,405,001
Restricted cash, current	18,506,100				18,506,100
Total current assets	40,818,915	1,748,435	4,491,890	(341,111)	46,718,129
Noncurrent assets:					
Prepaid expenses, noncurrent	2,589,593				2,589,593
Restricted cash, noncurrent	56,048,342				56,048,342
Property and equipment, net	248,131,293	482,104	433,673		249,047,070
Deposits	334,115	1,375	45,000		380,490
Total noncurrent assets	307,103,343	483,479	478,673		308,065,495
Total assets	$ 347,922,258	$ 2,231,914	$ 4,970,563	$ (341,111)	$ 354,783,624
LIABILITIES AND NET ASSETS (DEFICIT)					
Current liabilities:					
Accounts payable and accrued expenses	$ 11,982,601	$ 308,720	$ 1,257,690		$ 13,549,011
Accrued construction costs	15,195,665				15,195,665
Deferred revenue	1,755,068	11,837			1,766,905
Due to related party		309,105	32,006	$ (341,111)	
Deposits held for others	2,324,970		8,760		2,333,730
Current maturities of long-term debt	4,405,001				4,405,001
Total current liabilities	35,663,305	629,662	1,298,456	(341,111)	37,250,312
Long-term debt, net	361,354,588				361,354,588
Total liabilities	397,017,893	629,662	1,298,456	(341,111)	398,604,900
Net assets (deficit):					
Unrestricted (deficit)	(55,336,497)	1,401,824	3,239,278		(50,695,395)
Temporarily restricted	6,240,862	200,428	432,829		6,874,119
Total net assets (deficit)	(49,095,635)	1,602,252	3,672,107		(43,821,276)
Total liabilities and net assets (deficit)	$ 347,922,258	$ 2,231,914	$ 4,970,563	$ (341,111)	$ 354,783,624

See independent auditors' report.

BASIS CHARTER SCHOOLS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	BSI			BDC		
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal
Revenue and support:						
State revenues	$ 93,452,882		$ 93,452,882	$ 9,290,797		$ 9,290,797
Federal revenues	1,738,689		1,738,689	150,671		150,671
Local revenues	15,733,501	$ 7,645,929	23,379,430	289,188	$ 148,283	437,471
Net assets released from restrictions	5,829,191	(5,829,191)		110,129	(110,129)	
Total revenue and support	116,754,263	1,816,738	118,571,001	9,840,785	38,154	9,878,939
Expenses:						
Primary and secondary education	105,569,491		105,569,491	8,913,197		8,913,197
General and administrative	19,354,586		19,354,586	637,756		637,756
Fundraising	952,524		952,524	61,199		61,199
Total expenses	125,876,601		125,876,601	9,612,152		9,612,152
Change in net assets (deficit) before unrealized loss and write-off of loan issuance costs and prepayment penalties	(9,122,338)	1,816,738	(7,305,600)	228,633	38,154	266,787
Write-off of loan issuance costs and prepayment penalties	(5,015,513)		(5,015,513)			
Change in net assets (deficit)	(14,137,851)	1,816,738	(12,321,113)	228,633	38,154	266,787
Net assets (deficit), beginning of year	(41,198,646)	4,424,124	(36,774,522)	1,173,191	162,274	1,335,465
Net assets (deficit), end of year	$ (55,336,497)	$ 6,240,862	$ (49,095,635)	$ 1,401,824	$ 200,428	$ 1,602,252

See independent auditors' report.

BASIS CHARTER SCHOOLS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
(CONTINUED)

	BTX			Eliminations	Total		
	Unrestricted	Temporarily Restricted	Subtotal	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:							
State revenues	$ 17,773,345		$ 17,773,345		$ 120,517,024		$ 120,517,024
Federal revenues	234,907		234,907		2,124,267		2,124,267
Local revenues	2,113,579	$ 692,727	2,806,306	$ (3,735,886)	14,400,382	$ 8,486,939	22,887,321
Net assets released from restrictions	583,951	(583,951)			6,523,271	(6,523,271)	
Total revenue and support	20,705,782	108,776	20,814,558	(3,735,886)	143,564,944	1,963,668	145,528,612
Expenses:							
Primary and secondary education	17,010,775		17,010,775	(3,061,245)	128,432,218		128,432,218
General and administrative	3,346,756		3,346,756	(674,641)	22,664,457		22,664,457
Fundraising	70,875		70,875		1,084,598		1,084,598
Total expenses	20,428,406		20,428,406	(3,735,886)	152,181,273		152,181,273
Change in net assets (deficit) before unrealized loss and write-off of loan issuance costs and prepayment penalties	277,376	108,776	386,152		(8,616,329)	1,963,668	(6,652,661)
Write-off of loan issuance costs and prepayment penalties					(5,015,513)		(5,015,513)
Change in net assets (deficit)	277,376	108,776	386,152		(13,631,842)	1,963,668	(11,668,174)
Net assets (deficit), beginning of year	2,961,902	324,053	3,285,955		(37,063,553)	4,910,451	(32,153,102)
Net assets (deficit), end of year	$ 3,239,278	$ 432,829	$ 3,672,107	$	$ (50,695,395)	$ 6,874,119	$ (43,821,276)

See independent auditors' report.

BASIS CHARTER SCHOOLS, INC.

OBLIGATED GROUP STATEMENT OF FINANCIAL POSITION

June 30, 2018

	Obligated Group (Existing Members)[1]
ASSETS	
Current assets:	
Cash and cash equivalents	$ 17,169,659
Other current assets	7,025,695
Total current assets	24,195,354
Noncurrent assets:	
Property and equipment, net	249,047,070
Other noncurrent assets	77,693,568
Total noncurrent assets	326,740,638
Total assets	$ 350,935,992
LIABILITIES AND NET ASSETS (DEFICIT)	
Current liabilities:	
Accounts payable and accrued expenses	$ 24,912,222
Other current liabilities	8,891,254
Total current liabilities	33,803,476
Long-term debt	361,023,266
Total liabilities	394,826,742
Net assets (deficit)	(43,890,750)
Total liabilities and net assets (deficit)	$ 350,935,992

(1)Represents the results of the Pledged Schools financed as part of the Series 2015, 2016, 2017, and 2018 Bonds.

See independent auditors' report.

BASIS CHARTER SCHOOLS, INC.

OBLIGATED GROUP STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Obligated Group (Existing Members)[1]	Non Eliminating Items	Total Obligated Group (Existing Members)[1]
Revenues:			
State revenues	$ 120,517,025		$ 120,517,025
Federal revenues	2,045,924		2,045,924
Local revenues	21,447,755	$ 2,377,552	23,825,307
Total revenue and support	144,010,704	2,377,552	146,388,256
Expenses:			
Salaries and payroll	90,984,349		90,984,349
Management fees	16,704,331		16,704,331
Other operating	21,290,243	2,377,552	23,667,795
Depreciation	7,187,212		7,187,212
Bond interest and amortization	14,463,115		14,463,115
Total expenses	150,629,250	2,377,552	153,006,802
Change in net assets (deficit) before non-recurring expenses	(6,618,546)		(6,618,546)
Non-recurring expenses[2]	(5,015,513)		(5,015,513)
Change in net assets (deficit)	(11,634,059)		(11,634,059)
Net assets (deficit), beginning of year	(32,256,691)		(32,256,691)
Net assets (deficit), end of year	$ (43,890,750)	$	$ (43,890,750)

(1)Represents the results of the Pledged Schools financed as part of the Series 2015, 2016, 2017, and 2018 Bonds.
(2)Non-recurring expenses reflect non-cash expensing of certain debt issuance and refunding prepayment penalties related to the issuance of the 2017 and 2018 Bonds.

See independent auditors' report.

BASIS CHARTER SCHOOLS, INC.

Single Audit Reporting Package

Year Ended June 30, 2018

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FESTER & CHAPMAN PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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*

To the Board of Directors of
BASIS Charter Schools, Inc.
Scottsdale, Arizona

We have audited, in accordance with the 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 consolidated financial statements of BASIS Charter Schools, Inc. (the Firm), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 31, 2019. Our report includes a reference to other auditors who audited the financial statements of BDC, a Public Charter School, Inc. and BTX Schools, Inc., as described in our report on the Firm's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Firm'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Firm's internal control. Accordingly, we do not express an opinion on the effectiveness of the Firm'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 consolidated 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Firm's consolidated 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 consolidated 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fester & Chapman, PLLC

January 31, 2019

FESTER & CHAPMAN PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors of
BASIS Charter Schools, Inc.
Scottsdale, Arizona

Report on Compliance for Each Major Federal Program

We have audited BASIS Charter Schools, Inc.'s (the Firm) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Firm's major federal programs for the year ended June 30, 2018. The Firm's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Firm's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Firm's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Firm's compliance.

Opinion on Each Major Federal Program

In our opinion, the Firm complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

Management of the Firm is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Firm's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Firm's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Firm as of and for the year ended June 30, 2018, and have issued our report thereon dated January 31, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Fester & Chapman, PLLC

January 31, 2019

BASIS Charter Schools, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed through Arizona Department of Education				
Child Nutrition Cluster:				
School Breakfast Program (SBP)	10.553	Various	$ 11,867	$
National School Lunch Program (NSLP)	10.555	Various	66,477	
Total Child Nutrition Cluster			78,344	
Total U.S. Department of Agriculture			78,344	
U.S. Department of Education				
Passed through Arizona Department of Education				
Title I Grants to Local Educational Agencies	84.010	Various	77,658	
Special Education Cluster (IDEA):				
Special Education_Grants to States	84.027	Various	1,367,598	
Total Special Education Cluster			1,367,598	
Charter Schools	84.282	Various	209,392	
English Language Acquisition State Grants	84.365	Various	5,238	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	Various	460	
Total U.S. Department of Education			1,660,346	
Total Expenditures of Federal Awards			$ 1,738,690	$

See accompanying notes to this schedule.

BASIS Charter Schools, Inc.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of BASIS Charter Schools, Inc. (the Firm), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the 2018 *Catalog of Federal Domestic Assistance Update*.

NOTE 3 - INDIRECT COST RATE

The Firm has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

The Firm did not pass any funds onto subrecipients during the year ended June 30, 2018.

BASIS Charter Schools, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report issued:	Unmodified		
	Yes	**No**	
Material weaknesses identified in internal control over financial reporting?		X	
Significant deficiencies identified not considered to be material weaknesses?		X	(None reported)
Noncompliance material to the financial statements noted?		X	

Federal Awards

Material weakness identified in internal control over major programs?		X	
Significant deficiencies identified not considered to be material weaknesses?		X	(None reported)
Type of auditors' report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		X	

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Special Education Cluster (IDEA):
84.027	Special Education_Grants to States
84.282	Charter Schools

Dollar threshold used to distinguish between Type A and Type B programs:		$ 750,000
Auditee qualified as low-risk auditee?	X	

Other Matters:

Auditee's Summary Schedule of Prior Findings required to be reported in accordance with 2 CFR 200.511(b)?		X

BASIS Charter Schools, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were identified that were required to be reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were identified that were required to be reported.