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
- 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.

Pima County Clerk of the Board

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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

REDEMPTION PAYMENT

BASIS SCHOOLS INC
7975 N HAYDEN RD STE B121
SCOTTSDALE AZ 85258-3248

PAID BY: DTAX Batch
PROPERTY LOCATION: 3740 E SPEEDWAY BL
TOTAL TAX: 3,542.59

PROPERTY TYPE: Real Estate

PAYMENT DETAIL

Receipt No.	Certificate No	State Code	Tax Year	Install No.	Payment Description	Payment Date	Payment
6486259	1803225	12510018A	2016	1	Redemption Fee Payment	02/08/2019	10.00
6486259	1803225	12510018A	2016	1	Assignee Interest Payment	02/08/2019	173.75
6486259	1803225	12510018A	2016	1	Redemption Payment	02/08/2019	4,343.77
6486259	1803225	12510018A	2017	1	Assignee Interest Payment	02/08/2019	25.17
6486259	1803225	12510018A	2017	1	Redemption Payment	02/08/2019	3,776.24
Total Payment							**$ 8,328.93**

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

THIS IS NOT A BILL

Thank you for your payment!

00BEE342 003C256B A

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

PIMA COUNTY TAX RECEIPT

BASIS SCHOOLS INC
7975 N HAYDEN RD STE B121
SCOTTSDALE AZ 85258-3248

PAID BY: BASIS SCHOOLS INC
PROPERTY LOCATION: 3740 E SPEEDWAY BL
TOTAL TAX: $ 3,307.48

PROPERTY TYPE: Real Estate

PAYMENT DETAIL

Receipt No.	State Code	Tax Year	Install No.	Payment Description	Payment Date	Payment
6486252	12510018A	2018	1	Tax Payment	02/08/2019	1,653.74
6486252	12510018A	2018	1	Interest Payment	02/08/2019	88.20
Total Payment						**$ 1,741.94**
Remaining Amount						**$ 0.00**

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

THIS IS NOT A BILL

Thank you for your payment!

00BEE342 003C2524 A

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

TO VERIFY AUTHENTICITY, SEE REVERSE SIDE FOR DESCRIPTION OF THE 11 SECURITY FEATURES.

BASIS Charter Schools, Inc.
Obligated Group
7975 N Hayden Rd Ste B100
Scottsdale, AZ 85258

BASIS Obligated Group Checking WF

4261
Date: 02/07/2019

Pay To
The Order Of **Pima County Treasurer**

*****Twelve Thousand Eight Hundred Forty One Dollars and 05 Cents*****

$12,841.05****

Pima County Treasurer
P.O. BOX 29011
Phoenix, AZ 85038-9011
United States

I190208021091 A17 - 1-18

[redacted]

DocuGard 04517 - 11 Security Features
- DocuGard checks are Check 21 compliant
- Prints "VOID" on front when duplicated
- Patterned background highlights erasure alterations
- Security warning is printed on front of check
- Watermark on back can be seen when check is held on an angle
- Coin-reactive ink on watermark changes color when scratched with a coin
- Check verification number is part of the watermark
- Microtext print contains the DocuGard name and is difficult to copy
- Anti-splice backer deters altering of information
- Endorsement area prints "VOID" when duplicated
- Security Features Box has tamper-resistant shrouds

Absence of any of these features may indicate alteration.

Scratch here for verification number

BIDDER: CHECK HERE

FOR DEPOSIT ONLY
BETH FORD
PIMA COUNTY TREASURER
PIMA COUNTY, ARIZONA
TAX COLLECTION
DO NOT WRITE BELOW THIS LINE

PIMA COUNTY TREASURER'S OFFICE

Beth Ford, CPA
Pima County Treasurer

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

PIMA COUNTY TAX RECEIPT

BASIS SCHOOLS INC
7975 N HAYDEN RD STE B121
SCOTTSDALE AZ 85258-3248

PAID BY: Lockbox
PROPERTY LOCATION: 3740 E SPEEDWAY BL
TOTAL TAX: $ 3,307.48

PROPERTY TYPE: Real Estate

PAYMENT DETAIL

Receipt No.	State Code	Tax Year	Install No.	Payment Description	Payment Date	Payment
6812652	12510018A	2018	2	Tax Payment	06/21/2019	1,653.74
6812652	12510018A	2018	2	Interest Payment	06/21/2019	44.10
Total Payment						**$ 1,697.84**
Remaining Amount						**$ 0.00**

Remaining amount does NOT include interest, penalties or other charges on delinquent taxes.
Please call the Treasurer's Office at 520-724-8341 for payoff amount.

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

THIS IS NOT A BILL

Thank you for your payment!

00BEE342 010B7C57 A

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

TO VERIFY AUTHENTICITY, SEE REVERSE SIDE FOR DESCRIPTION OF THE 17 SECURITY FEATURES

VOID VOID VOID

BASIS Charter Schools, Inc.
7975 N Hayden Rd Ste B202
Scottsdale, AZ 85258
480-289-2088

BASIS Charter Schools, Inc. Checking WF 0384

Date: 06/19/2019

VOID VOID VOID

Pay to
The Order Of Pima County Treasurer

Four Thousand Two Hundred Twenty Nine Dollars and 18 Cents

$**4,229.18**

VOID VOID VOID

Pima County Treasurer
PO BOX 29011
Phoenix, AZ 85038-9011
United States

[redacted]

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 B121
SCOTTSDALE AZ 85258-3248

ACCOUNT:	12510018A
PROPERTY TYPE:	Real Estate
PROPERTY LOCATION:	3740 E SPEEDWAY BL
LEGAL DESC:	PTN W145' E760.10' S115' N165' NE4 NE4 .38 AC SEC 9-14-14

Account Balance as of November 8, 2019

Tax Year	Cert No	Interest Date	Interest Percent	Amount	Interest Due	Fees Due	Penalties Due	Total Due
2019 - 1		11/2/2019	16.0	1,690.73	22.54	0.00	0.00	1,713.27
2019 - 2		5/2/2020	16.0	1,690.73	0.00	0.00	0.00	1,690.73
Totals				$3,381.46	$22.54	$0.00	$0.00	$3,404.00

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) 2016 - Parcel No. 125-10-018A

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:

PARCEL WAS VACANT LAND (CLASS 2) IN 2016 TAX YEAR. PERMIT PULLED 2016

APPEARS NOT COMPLETE UNTIL OCTOBER 2018

Completed by: RIANNA LARSEN Date: 12/09/2019

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) 2017 - Parcel No. 125-10-018A

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:

PARCEL WAS VACANT LAND (CLASS 2) IN 2017 TAX YEAR. PERMIT PULLED 2016

APPEARS NOT COMPLETE UNTIL OCTOBER 2018

Completed by: RIANNA LARSEN Date: 12/09/2019

c: Honorable Bill Staples, Pima County Assessor

Pima County Clerk of the Board

Julie Castañeda

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Tucson, AZ 85701
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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) 2018 - Parcel No. 125-10-018A

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:

PARCEL WAS VACANT LAND (CLASS 2) IN 2018 TAX YEAR. PERMIT PULLED 2016

APPEARS NOT COMPLETE UNTIL OCTOBER 2018

Completed by: RIANNA LARSEN Date: 12/09/2019

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) 2019 - Parcel No. 125-10-018A

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:

Completed by: RIANNA LARSEN Date: Nov 26, 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 07 2019 2:50 PM

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 125-10-018A, located at 3740 East Speedway Boulevard, Tucson, Arizona (the "Property"), requesting exemption on and after BASIS' acquisition date of April 29, 2016 (see attached Special Warranty Deed).

Notwithstanding the request for 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.

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. However, to BASIS' knowledge the exemption has not been granted and the Property is still classified "Commercial (1)."

While talking with Mr. Andrew Flagg at the Pima County Attorney's office about a different parcel, we also discussed this situation. 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 April 29, 2016. BASIS has used the Property for educational purposes since the date of acquisition, first for development of parking facilities for its charter school and then for staff parking. It is worth noting that BASIS purchased and developed this additional parking, in part, to satisfy City of Tucson requests to add additional parking for the charter school.

BASIS filed an application for property tax exemption for the Property, enclosed for your reference. Although BASIS believes an application for exemption was filed in late 2016, the assessor's office denies receiving the application. Accordingly, BASIS re-filed an application in early 2019, requesting a property tax exemption from and after April 29, 2016 as permitted by law.

Accordingly, the Property should be property tax exempt on and after April 29, 2016. 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 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).

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 April 29, 2016; 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 29 Month 4 Year 2016

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 4 Day 29 Year 2016.

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.

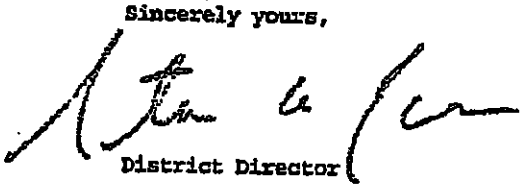
BASIS SCHOOL, INC.

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

Renewal 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 renewal of established charter schools that 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 continuing the operation of a charter school 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, Craig Barrett, Kristen Jordison, and Carolyn McGarvey ("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 Renewal 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 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.

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

   F. If the Charter Holder receives federal grants 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
   3825 East 2nd Street
   Tucson, Arizona 85716

   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 twenty (20) years commencing on July 1, 2012 and ending on June 30, 2032, 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. In the event of a conflict, the provisions of the Renewal Charter Contract control. 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. 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 amendments and notifications shall be submitted pursuant to the procedures or rules formulated by the Arizona State Board for Charter Schools.

   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 level of adequate academic performance as set and modified periodically by the Arizona State Board for Charter Schools. The level of adequate academic performance set for the following school configurations is currently:

A school that serves any students between grades three and eight must meet or exceed the state average percent proficient in reading and in math on the state assessment and have a student growth percentile of no less than minus one standard deviation from the state median growth percentile in reading and in math.
A school that serves students no higher than grade two must exceed the state average scale score on the Arizona Department of Education's norm-referenced test administered to second grade students.
A school that serves any students from grades ten to twelve must meet or exceed the state average percent proficient in reading and in math on the state assessment.

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; or for conditions which threaten the health, safety, or welfare of the students or staff of the school or of the general public.

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, Kristen Jordison,
Craig Barrett and Carolyn McGarvey
BASIS School, Inc.
11485 North 136th Street, Ste. 109
Scottsdale, AZ 85259

Arizona State Board for Charter Schools:
DeAnna Rowe
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 changs(s) on its website.

BASIS SCHOOL, INC.

Executed thie 17 day of MAY 2012.

By _____
Craig Barrett, Charter Representative for BASIS School, Inc.

ARIZONA STATE BOARD FOR CHARTER SCHOOLS

Executed this 24 day of May 2012.

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

Exhibit D

Special Warranty Deed

* E RECORDING * Page 1 of 3
SEQUENCE: 20161200777
No. Pages: 3
4/29/2016 2:54 PM

F. ANN RODRIGUEZ, RECORDER
Recorded By: LW(e-recording)

FIRST AMERICAN TITLE

When Recorded Mail To:
Terry D. Warren, Esq.
Warren Charter Law, PLC
7702 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

NCS 760733

1 of 1

WARRANTY DEED

For the consideration of Ten Dollars ($10.00) and other valuable considerations, the receipt and sufficiency of which is hereby acknowledged, RCA-CCA INVESTMENTS, L.L.C., an Arizona limited liability company (**"Grantor"**), does hereby convey to BASIS SCHOOLS,INC., an Arizona nonprofit corporation (**"Grantee"**), the following described real property, situated in Pima County, Arizona:

See **Exhibit "A,"** attached hereto and incorporated herein by this reference.

SUBJECT TO: current taxes, assessments, reservations in patents and all easements, rights of way, covenants, conditions and restrictions as may appear of record in the records of the Pima County Recorder.

AND Grantors hereby bind themselves, jointly and severally, and their respective successors and assigns to warrant and defend the title against all persons whomsoever, subject to the matters set forth above.

Dated this 27th day of April 2016.

RCA-CCA INVESTMENTS, an Arizona limited liability company

By: _____
Jose Rincon, its Member

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this 27th day of April 2016, by Jose Rincon as the Member of RCA-CCA INVESTMENTS, L.L.C., an Arizona limited liability company, on behalf of the company.

_____
Notary Public

My Commission Expires: Nov 25, 2016

OFFICIAL SEAL
PETER GRAZIANO
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Exp. Nov. 25, 2016

Exhibit A
(Warranty Deed)

LEGAL DESCRIPTION

PARCEL NO. 1:

ALL THOSE PORTIONS OF SECTION 9, TOWNSHIP 14 SOUTH, RANGE 14 EAST, GILA AND SALT RIVER MERIDIAN, STATE OF ARIZONA, COUNTY OF PIMA, DESCRIBED AS FOLLOWS:

COMMENCING AT A 2" BRASS DISK IN CASTING STAMPED "3, 4, 9, 10, T14S, R14E, RLS 20373" MONUMENTING THE NORTHEAST CORNER OF SAID SECTION 9;

THENCE SOUTH 89° 30' 41" WEST, ALONG THE NORTH LINE OF SAID SECTION 9, SAID LINE BEING THE BASIS OF BEARINGS FOR THIS DESCRIPTION, 615.10 FEET TO THE WEST LINE AND ITS NORTHERLY PROLONGATION, OF THAT CERTAIN PARCEL DESCRIBED IN DOCKET 9133 AT PAGE 89 IN THE OFFICE OF THE PIMA COUNTY RECORDER;

THENCE SOUTH 00° 43' 53" EAST, ALONG SAID PROLONGATION, 50.00 FEET TO THE POINT OF BEGINNING ON THE NORTH RIGHT OF WAY LINE OF SPEEDWAY BLVD, AS SHOWN ON THE ROAD MAP RECORDED IN BOOK 4 AT PAGE 80 IN SAID RECORDERS OFFICE;

CONTINUING ALONG SAID PROLONGATION, SOUTH 00° 43' 53" EAST, 115.00 FEET TO A POINT ON A LINE 165.00 FEET SOUTH OF AND PARALLEL WITH THE NORTH LINE OF SAID SECTION 9, SAID POINT ALSO BEING THE NORTHWEST CORNER OF SAID PARCEL DESCRIBED IN DOCKET 9133 AT PAGE 89;

THENCE SOUTH 89° 30' 41" WEST ALONG SAID PARALLEL LINE, 145.00 FEET TO THE SOUTHWEST CORNER OF THAT CERTAIN PARCEL DESCRIBED IN DOCKET 9684 AT PAGE 1144;

THENCE NORTH 00° 43' 53" WEST ALONG THE WEST LINE OF SAID DOCKET 9684 PAGE 1144, 0.95 FEET TO THE SOUTH FACE OF THE BUILDING DESCRIBED IN DOCKET 10767 AT PAGE 936-937 IN SAID RECORDERS OFFICE;

THENCE NORTH 89° 30' 41" EAST ALONG SAID SOUTH FACE, 0.73 FEET TO THE SOUTHEAST CORNER THEREOF;

THENCE NORTHERLY ALONG THE EAST FACE OF SAID BUILDING, 85.00 FEET TO THE NORTHEAST CORNER THEREOF;

THENCE SOUTH 89° 30' 41" WEST ALONG THE NORTH FACE OF SAID BUILDING, 0.07 FEET TO SAID WEST LINE OF SAID DOCKET 9684 AT PAGE 1144;

THENCE NORTH 00° 43' 53" WEST ALONG SAID WEST LINE, 29.05 FEET TO THE SOUTH RIGHT OF WAY LINE AS SHOWN ON SAID ROAD MAP RECORDED IN BOOK 4 AT PAGE 80;

THENCE NORTH 89° 30' 41" EAST ALONG SAID RIGHT OF WAY LINE, 145.00 FEET TO THE POINT OF BEGINNING.

PARCEL NO. 2:

AN EASEMENT FOR THE BENEFIT OF THE LAND, WHICH EASEMENT IS 15 FEET IN WIDTH ADJACENT AND PARALLEL TO THE SOUTH BOUNDARY LINE OF THE LAND AND AS MENTIONED IN DEED RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF PIMA COUNTY, ARIZONA, FROM FRANCES E. GEFFS TO DONG TUNG RECORDED IN DOCKET 42 AT PAGE 271.

PARCEL NO. 3:

DECLARATION OF ACCESS EASEMENTS AND RESTRICTIONS OF RECORD IN SAID RECORDER'S OFFICE IN DOCKET 12410 AT PAGE 1253.

AFFIDAVIT OF PROPERTY VALUE

1. ASSESSOR'S PARCEL IDENTIFICATION NUMBER(S)
Primary Parcel: 125-10-018A - _____
BOOK MAP PARCEL SPLIT
Does this sale include any parcels that are being split / divided?
Check one: Yes [ ] No [X]
How many parcels, other than the Primary Parcel, are included in this sale? _____
Please list the additional parcels below (attach list if necessary):
(1) _____ (3) _____
(2) _____ (4) _____

2. SELLER'S NAME AND ADDRESS:
RCA-CCA Investments, L.L.C.
2327 East Speedway
Tucson, AZ 85719

3. (a) BUYER'S NAME AND ADDRESS:
Basis Schools, Inc.
7975 North Hayden Road, Suite B-121
Scottsdale, AZ 85258
(b) Are the Buyer and Seller related? Yes [ ] No [X]
If Yes, state relationship:

4. ADDRESS OF PROPERTY:
3740 East Speedway Boulevard
Tucson, AZ

5. (a) MAIL TAX BILL TO: (Taxes due even if no bill received)
Basis Schools, Inc.
7975 North Hayden Road, Suite B-121
Scottsdale, AZ 85258
(b) Next tax payment due 10/2016

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:
a. [ ] To be used as a primary residence.
b. [ ] To be rented to someone other than a "qualified family member."
c. [ ] To be used as a non-primary or secondary residence.
See reverse side for definition of a "primary residence, secondary residence" and "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.

(a) County of Recordation: PIMA
(b) Date of Recording: 4/29/2016
(c) Fee/Recording Number: 20161200777

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

10. SALE PRICE: $275,000 00

11. DATE OF SALE (Numeric Digits): 0 2 / 1 6 Month/Year

12. DOWN PAYMENT $275,000 00

13. METHOD OF FINANCING:
a. [X] 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. [ ] Other financing; Specify:

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:
$ 0.00 00 AND
briefly describe the Personal Property: _____

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
Phone (602)567-8100

18. LEGAL DESCRIPTION (attach copy if necessary):
See attached exhibit A

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 Maricopa
Subscribed and sworn to before me on this 28th day of April 20 1 6
Notary Public Colleen A. Stout
Notary Expiration Date 10-19-2016

Signature of Buyer / Agent
State of Arizona, County of Maricopa
Subscribed and sworn to before me on this 28th day of April 20 1 6
Notary Public Colleen A. Stout
Notary Expiration Date 10-19-2016

16
DOR FORM 82162 (04/2016)

COLLEEN A. STOUT
Notary Public - State of Arizona
MARICOPA COUNTY
My Commission Expires Oct. 19, 2016

COLLEEN A. STOUT
Notary Public - State of Arizona
MARICOPA COUNTY
My Commission Expires Oct. 19, 2016

EXHIBIT "A"

PARCEL NO. 1:

ALL THOSE PORTIONS OF SECTION 9, TOWNSHIP 14 SOUTH, RANGE 14 EAST, GILA AND SALT RIVER MERIDIAN, STATE OF ARIZONA, COUNTY OF PIMA, DESCRIBED AS FOLLOWS:

COMMENCING AT A 2" BRASS DISK IN CASTING STAMPED "3, 4, 9, 10, T14S, R14E, RLS 20373" MONUMENTING THE NORTHEAST CORNER OF SAID SECTION 9;

THENCE SOUTH 89° 30' 41" WEST, ALONG THE NORTH LINE OF SAID SECTION 9, SAID LINE BEING THE BASIS OF BEARINGS FOR THIS DESCRIPTION, 615.10 FEET TO THE WEST LINE AND ITS NORTHERLY PROLONGATION, OF THAT CERTAIN PARCEL DESCRIBED IN DOCKET 9133 AT PAGE 89 IN THE OFFICE OF THE PIMA COUNTY RECORDER;

THENCE SOUTH 00° 43' 53" EAST, ALONG SAID PROLONGATION, 50.00 FEET TO THE POINT OF BEGINNING ON THE NORTH RIGHT OF WAY LINE OF SPEEDWAY BLVD, AS SHOWN ON THE ROAD MAP RECORDED IN BOOK 4 AT PAGE 80 IN SAID RECORDERS OFFICE;

CONTINUING ALONG SAID PROLONGATION, SOUTH 00° 43' 53" EAST, 115.00 FEET TO A POINT ON A LINE 165.00 FEET SOUTH OF AND PARALLEL WITH THE NORTH LINE OF SAID SECTION 9, SAID POINT ALSO BEING THE NORTHWEST CORNER OF SAID PARCEL DESCRIBED IN DOCKET 9133 AT PAGE 89;

THENCE SOUTH 89° 30' 41" WEST ALONG SAID PARALLEL LINE, 145.00 FEET TO THE SOUTHWEST CORNER OF THAT CERTAIN PARCEL DESCRIBED IN DOCKET 9684 AT PAGE 1144;

THENCE NORTH 00° 43' 53" WEST ALONG THE WEST LINE OF SAID DOCKET 9684 PAGE 1144, 0.95 FEET TO THE SOUTH FACE OF THE BUILDING DESCRIBED IN DOCKET 10767 AT PAGE 936-937 IN SAID RECORDERS OFFICE;

THENCE NORTH 89° 30' 41" EAST ALONG SAID SOUTH FACE, 0.73 FEET TO THE SOUTHEAST CORNER THEREOF;

THENCE NORTHERLY ALONG THE EAST FACE OF SAID BUILDING, 85.00 FEET TO THE NORTHEAST CORNER THEREOF;

THENCE SOUTH 89° 30' 41" WEST ALONG THE NORTH FACE OF SAID BUILDING, 0.07 FEET TO SAID WEST LINE OF SAID DOCKET 9684 AT PAGE 1144;

THENCE NORTH 00° 43' 53" WEST ALONG SAID WEST LINE, 29.05 FEET TO THE SOUTH RIGHT OF WAY LINE AS SHOWN ON SAID ROAD MAP RECORDED IN BOOK 4 AT PAGE 80;

THENCE NORTH 89° 30' 41" EAST ALONG SAID RIGHT OF WAY LINE, 145.00 FEET TO THE POINT OF BEGINNING.

PARCEL NO. 2:

AN EASEMENT FOR THE BENEFIT OF THE LAND, WHICH EASEMENT IS 15 FEET IN WIDTH ADJACENT AND PARALLEL TO THE SOUTH BOUNDARY LINE OF THE LAND AND AS MENTIONED IN DEED RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF PIMA COUNTY, ARIZONA, FROM FRANCES E. GEFFS TO DONG TUNG RECORDED IN DOCKET 42 AT PAGE 271.

PARCEL NO. 3:

DECLARATION OF ACCESS EASEMENTS AND RESTRICTIONS OF RECORD IN SAID RECORDER'S OFFICE IN DOCKET 12410 AT PAGE 1253.

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 B121
SCOTTSDALE AZ 85258-3248

BOOK	MAP	PARCEL	PROPERTY DESCRIPTION
125	10	018A	PTN W145' E760.10' S115' N165' NE4 NE4 .38 AC SEC 9-14-14

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
1803225	$8,301.87
TOTAL AMOUNT DUE IF PAID BY **JANUARY 31, 2019:**	**$8,301.87**

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 **JANUARY 31, 2019**
TOTAL AMOUNT DUE **$8,301.87**

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

BASIS SCHOOLS INC

125 10 018A

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.

1345

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 12510018A, located at 3740 East Speedway Boulevard, Tucson, 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 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 April 29, 2016. BASIS has used the Property for educational purposes since the date of acquisition. Although we believe that BASIS filed an application for property tax exemption for the Property, we transitioned our records from hard copies to digital copies in 2016 and we cannot immediately locate a digital copy of the application. We are reviewing our paper storage files to locate the application. So that we eliminate the application issue, I have enclosed a new application for exemption so that the Assessor's files will include the application. Arizona law does not require that the application be filed within any specific time period, so the attached application satisfies the requirement for the application. The application requests exemption from property taxation from and after April 29, 2016 as provided by applicable law. Accordingly, the Property should be approved for property tax exemption on and after April 29, 2016.

Based upon Arizona law (as cited above) the Property is tax exempt from the date of purchase and we respectfully request that any taxes assessed against the Property on and after April 29, 2016 be retroactively corrected to zero and that the lien on the Property be recovered from the purchaser. Please contact me to discuss the issue so that we can resolve this matter.

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 B121
SCOTTSDALE AZ 85258-3248

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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 **$8,301.87**

125 10 018A

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.

1345

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 North Hayden Road, Suite B100
   Scottsdale, Arizona 85258

2. Under which section of **Title 42, Chapter 11, Article 3** does your organization claim 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? 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 501(c)(3). No ☐

5. Give day, month, and year deed/title was acquired by applicant.
   Day 29 Month 04 Year 2016

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 ☐

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 04 Day 29 Year 2016.

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

ORGANIZATION NAME: BASIS Charter Schools, Inc.

fka BASIS Schools, Inc.

Mailing Address:

7975 North Hayden Road, Suite B100
Scottsdale, Arizona 85258

2019

AFFIDAVIT FOR ORGANIZATIONAL TAX EXEMPTION

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

CONTACT INFORMATION (Address if different than Applicant)
NAME: Terry Warren
ADDRESS: 7702 E. Doubletree Ranch Road, Suite 300
CITY: Scottsdale STATE: AZ ZIP CODE: 85258
TELEPHONE # FOR APPLICANT: 480-222-2045 ext 2
Contact Email: twarren@warrencharterlaw.com
NOTES: Attorney for Applicant

EXEMPTION TYPE:

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

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

(A) PROPERTY LIST	(B) LIST USAGE
Parcel #125-10-018A	

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_____
PROPERTY OWNER / AGENT DATE

X_____
DEPUTY ASSESSOR / NOTARY COMMISSION EXPIRES

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.

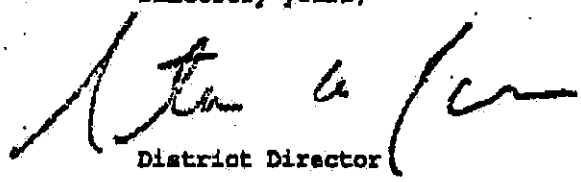
BASIS SCHOOL, INC.

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.
Arizona Nonprofit Corporation

Amended October 7, 2005

94413

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 **Other 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 during the first week of January 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 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.

Amended this October 7. 2005

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.

FINANCIALS

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

See independent auditors' report.

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

	BSI			
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted
Revenue and support:				
State revenues	$ 93,452,882		$ 93,452,882	$ 9,290,797
Federal revenues	1,738,689		1,738,689	150,671
Local revenues	15,733,501	$ 7,645,929	23,379,430	289,188
Net assets released from restrictions	5,829,191	(5,829,191)		110,129
Total revenue and support	116,754,263	1,816,738	118,571,001	9,840,785
Expenses:				
Primary and secondary education	105,569,491		105,569,491	8,913,197
General and administrative	19,354,586		19,354,586	637,756
Fundraising	952,524		952,524	61,199
Total expenses	125,876,601		125,876,601	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
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
Net assets (deficit), beginning of year	(41,198,646)	4,424,124	(36,774,522)	1,173,191
Net assets (deficit), end of year	$ (55,336,497)	$ 6,240,862	$ (49,095,635)	$ 1,401,824

See independent auditors' report.

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

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

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.

BASIS Charter Schools - Mesa

Legal Compliance Questionnaire

Year Ended June 30, 2018

FESTER & CHAPMAN PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
BASIS Charter Schools, Inc. Re. BASIS Mesa (07-82-25-000)
Mesa, Arizona

We have performed the procedures enumerated below, which were agreed to by Arizona State Board for Charter Schools (the specified party), solely to assist you with respect to compliance of BASIS Charter Schools, Inc. Re. BASIS Mesa (07-82-25-000) (the Firm) as of and for the year ended June 30, 2018. The Firm's management is responsible for compliance. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are included in the following 6/18 version of the Legal Compliance Questionnaire.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Firm's compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and the Arizona State Board for Charter Schools and is not intended to be and should not be used by anyone other than those specified parties.

Fester & Chapman, PLLC

February 26, 2019

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

Arizona State Board for Charter Schools

Legal Compliance Questionnaire

Charter/CTDS: BASIS Mesa (078225000)

Fiscal Year Ended: June 30, 2018

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INSTRUCTIONS

NOTE: This questionnaire should only be used for charters that are exempt from the Uniform System of Financial Records for Arizona Charter Schools (charters that HAVE an exception). If a charter is subject to procurement requirements pursuant to A.R.S. §§15-189.02 and 41-2535(A), this questionnaire should be used in conjunction with the Procurement Compliance Questionnaire (see audit guidelines) which is available on the Arizona State Board for Charter Schools' website https://asbcs.az.gov.

In order to determine whether a charter that is exempt from the requirements of the Uniform System of Financial Records for Arizona Charter Schools (USFRCS) is complying with applicable legal requirements, the auditors must complete the following Legal Compliance Questionnaire in accordance with both the agreed upon procedures (instructions contained herein) and the attestation standards established by the American Institute of Certified Public Accountants. (Note: This questionnaire is not comprehensive of all legal requirements for charter schools. As such, this document should not be the sole reference to determine all laws and regulations that are applicable to charter schools).

The following prescribed minimum agreed upon procedures, as well as those identified throughout the questionnaire, must be used for completing the Legal Compliance Questionnaire in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The State Board for Charter Schools may reject questionnaires not meeting these standards.

- Sufficient, appropriate evidence must be obtained annually for each question to satisfactorily determine whether the charter complies with the legal requirements, and the evidence must be included in the documentation.

- Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support "Yes" answers to the questionnaire.

- Population size should be considered in determining the number of items to test, and the items selected should be representative of the population.

- The number of items tested must be sufficient to determine whether a deficiency was the result of an isolated incident or a recurring problem. Therefore, testing one transaction, record, or item is not sufficient.

- The sample size should be expanded if the audit firm cannot clearly determine whether the charter complies with the legal requirements of the question.

- If sufficient evidence has been obtained and documented during the current audit, that evidence may be referenced to answer questions.

- All "No" and "N/A" answers must be adequately explained in the comments column or in an attachment. Findings must be described in sufficient detail to enable the State Board for Charter Schools to describe the finding in a letter. The description should include the number of items tested and the number of exceptions noted.

- A "Yes" answer indicates that the audit firm has determined that the charter complies with the legal requirements of the question and a "No" answer indicates the charter does not comply. However, the final determination of compliance on each question, as well as overall compliance with legal requirements, is made by the State Board for Charter Schools based on the evidence presented in the questionnaire, audit reports, resulting documentation, and any other sources.

The resulting documentation supporting the audit firm's answers to the Legal Compliance Questionnaire must be made available on request for review by the State Board for Charter Schools. To facilitate this review, the audit firm may wish to include in the documentation a copy of the questionnaire containing references to procedures performed for each question.

Legal Compliance Questionnaire[1]

Questions/Subject Area	Yes/No	Comments
Personnel		
1. Did the school have valid fingerprint clearance cards (FCC) for 100% of the required personnel as of the testing date? **A.R.S. §15-183 (C)(5) and A.R.S. §15-512 (H)**	Yes	
(QUESTIONS #2a THROUGH 2c ONLY APPLY TO NEW HIRES REQUIRED PURSUANT TO A.R.S. §15-183(C)(5) TO HAVE VALID FCCS AND DO NOT APPLY IF AN INDIVIDUAL'S FCC HAS EXPIRED.) 2. For each individual referenced in #1 that did not have a valid FCC, please provide the following information (provide supplemental pages, if necessary) (See agency guidance available on the Board's website prior to completing these questions) **A.R.S. §15-183 (C)(5)**:		
a. Was an application for a FCC on file with the Department of Public Safety (DPS) as of the testing date?	N/A	All personnel had FCC's
b. Did DPS receive the application prior to the hire date?	N/A	All personnel had FCC's
c. Prior to placement, did the school do all of the following?		
i) Document the necessity for hiring/placing the individual prior to receiving a FCC?	N/A	All personnel had FCC's
ii) Obtain statewide criminal history information on the individual?	N/A	All personnel had FCC's
iii) Obtain references from the applicant's current and previous employers?	N/A	All personnel had FCC's
3. Did the charter school maintain up-to-date fingerprints of all Governing Body members as of the testing date? **Charter Contract[2]**	Yes	
4. Were all other personnel fingerprint checked as of the testing date? **A.R.S. §15-183 (C)(5) and A.R.S. §15-512**	Yes	
5. Did the charter school inform the parents and guardians of pupils enrolled in the school of the availability of information about the educational and teaching background and experience in a particular academic content subject area for all current employees who provide instruction to pupils? **A.R.S. §15-183 (F)**	Yes	

[1] For the purposes of this questionnaire, please note that "Governing Body" means the group of persons required by A.R.S. §15-183(E)(8) that is responsible for policy decisions of the charter school. The term "Governing Board" means the group of persons that the charter holder has assigned the responsibility addressed by the question. The applicable group of persons may be the Governing Body or the officers, directors, members or partners of the charter holder. The applicable group of persons may vary depending on the issue addressed by the question.

[2] Specific contract cites could not be provided as term references vary per contract year.

Questions/Subject Area	Yes/No	Comments
Required Filings		
1. Is the school in good standing with the following regulatory bodies: a. Internal Revenue Service **U.S.C. Title 26**		
i. For payroll taxes, income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?	Yes	
ii. The school did not have any payroll or income taxes payable from a prior year(s) as of audited fiscal year end (June 30th) is a true statement.	Yes	
iii. If the response to 1.a.i, 1.a.ii, or both is "no", does the school have a payment plan in place with the Internal Revenue Service?	N/A	See questions i. and ii. above
iv. If the answer to Question 1.a.iii is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30th)?	N/A	See question iii. above
b. Arizona Department of Revenue **A.R.S. §43-401 and §43-1111**		
i. For payroll taxes, state income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?	Yes	
ii. The school did not have any payroll or income taxes payable from a prior year(s) as of audited fiscal year end (June 30th) is a true statement.	Yes	
iii. If the response to 1.b.i, 1.b.ii, or both is "no", does the school have a payment plan in place with the Arizona Department of Revenue?	N/A	See questions i. and ii. above
iv. If the answer to Question 1.b.iii is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30th)?	N/A	See question iii. above
c. Arizona Department of Economic Security **A.R.S. § 23-721 et seq.**		
i. State unemployment contributions requirements for the audited fiscal year?	Yes	
ii. The school did not have any state unemployment contributions payable from a prior year(s) as of audited fiscal year end (June 30th) is a true statement.	Yes	
iii. If the response to 1.c.i, 1.c.ii, or both is "no", does the school have a payment plan in place with the Arizona Department of Economic Security?	N/A	See questions i. and ii. above
iv. If the answer to Question 1.c.iii is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30th)?	N/A	See question iii. above

Questions/Subject Area	Yes/No	Comments
d. Corporation Commission (e.g., annual report)? **Charter Contract**	Yes	
2. Was a copy of the adopted budget submitted electronically to the Superintendent of Public Instruction no later than July 18th? **A.R.S. §15-905 (E) and §15-183 (E)(6)**	Yes	
3. Was the Annual Financial Report (AFR) sent to the Superintendent of Public Instruction by October 15th? **A.R.S. §15-183 (E)(6) and 15-904 (A)**	Yes	
4. Did the school maintain records to support the number of eligible teachers, eligible teachers' salaries, and employer share of retirement expense to appropriately calculate and distribute the 1.06% teacher salary increase? **(Laws 2017, Chapter 305, §33)**	Yes	
Special Education		
1. Is the staff the school uses to provide special education services (internal or contracted) certified in special education?	Yes	
2. Does the school conduct 45 day screenings on all new students? **AAC R7-2-401**	Yes	
3. Are evaluations and IEPs on file for special education students? **34 CFR 300.341-350 and 300.531-536**	Yes	
Classroom Site Fund - A.R.S. §15-977 & OAG Memorandum No. 44		
1. Did the school properly allocate Classroom Site Fund receipts among the following projects: 1011—Base Salary (20%), 1012—Performance Pay (40%), and 1013—Other (40%)?	Yes	
2. For Project 1011, were expenses only for teacher base salary increases and employment-related expenses?	Yes	
3. For Project 1012, were expenses only for performance-based teacher compensation increases and employment-related expenses?	Yes	
4. For Project 1013, were expenses only for class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention programs, and teacher liability insurance premiums?	Yes	
5. Did the school use Classroom Site Fund monies to supplement rather than supplant, existing funding from all other sources? (See USFRCS Memorandum No. 44 for guidance on the Classroom Site Fund.)	Yes	
6. If the school had monies remaining at year-end, were they properly carried forward in the three Classroom Site Projects (1011, 1012, and 1013) to help ensure that the restrictions placed on the original allocation of revenues is applied in future years?	Yes	
7. Did the school have sufficient cash at year-end to cover the carry over monies, and what was the Classroom Site Fund cash carryover balance at year-end?	Yes $0	

Questions/Subject Area	Yes/No	Comments
Student Attendance Reporting		
If test work performed in this section discloses a net overstatement or understatement of membership and/or absence days, based on A.R.S. and ADE's school finance external guidelines, report the net overstatement or understatement in the "Comments" column next to each applicable question.		
1. Was school in session for at least 180 days or did the Governing Board adopt a calendar with an equivalent number of minutes of instruction per school year based on a different number of days of instruction? **A.R.S. §15-341.01**	Yes	
2. Did the school ensure that **[A.R.S. §§15-808(J)(1), 15-901(A)(1) and 15-901.07]**: (Note: Instructional hours for common school students do not include periods of the day in which an instructional program or course of study is not being offered, including, but not limited to, lunch, recesses, home room periods, study hall periods, and early release or late start hours. Instructional hours for high school students includes regularly scheduled class periods intended for instructional purposes which may include core subjects, elective subjects, lunch, study halls, music instruction, and other classes that advance the academic instruction of pupils, except that instructional purposes shall not include athletic practices or extracurricular clubs and activities.) **ADE's External Guideline GE-18**		
a. Preschool children with disabilities were enrolled in a program that met at least 360 minutes a week that meets at least 216 hours over the minimum number of days?	N/A	No preschool children
b. Kindergarten was in session for at least 356 hours or 346 hours for Arizona Online Instruction (AOI) Programs?	N/A	School is grades 3-12
c. Grades 1 through 3 were in session for at least 712 hours?	Yes	
d. Grades 4 through 6 were in session for at least 890 hours?	Yes	
e. Grades 7 and 8 were in session for at least 1,000 hours or 1,068 hours for AOI Programs?	Yes	
f. Grades 9 through 12, other than AOI Programs, were in session at least 720 hours?	Yes	
g. Grades 9 through 12, other than AOI Programs or those students enrolled in concurrent coursework, include at least four subjects, each of which if taught each school day for the minimum number of days required in a school year, would meet a minimum of 123 hours a year?	Yes	
h. Grades 9 through 12 of AOI Programs include at least four courses throughout the year that meet at least 900 hours during the school year?	N/A	Program not offered by school

Questions/Subject Area	Yes/No	Comments
i. Grades 9 through 12 students enrolled in concurrent coursework, attended at least four subjects? At least one subject must be taught at the school per semester and, if taught each school day for the minimum number of days required in a school year, would meet a minimum of 123 hours a year. Students must earn 3 semester hours of credit or more for subjects taught at the community college or university.	N/A	Program not offered by school

For Student Attendance Reporting questions, the audit firm must select and test the specified number of transactions (records, entries, withdrawals, or days) as shown in the sample size instructions before each section. These samples should include 3 or more grade levels and 3 or more campuses, where applicable. The listed sample sizes represent the minimum level of required test work. The audit firm should use its judgment in determining whether a larger sample is needed. All student attendance records tested should be selected from the 100th day reporting period.

In the parentheses provided within the questions, write the actual number of transactions tested. If all transactions were tested, indicate such in the "Comments" column.

For questions 3-5 select at least 3 student attendance records.		
3. If the school had an early (pre-)kindergarten program, based upon review of 0 early (pre-) kindergarten students' attendance records, did the school only calculate and submit membership/absence information for this program for students with disabilities? **A.R.S. §15-901(A)(1)(a)(i) and USFRCS Memorandum No. 33**	N/A	Program not offered by school
4. Based upon review of 0 students' attendance records in kindergarten programs, if the instructional time for the year was between 356 and 692 hours, were students not in attendance for at least three-quarters of the day counted as being absent or, if the instructional time for the year was 692 hours or more, were students not in attendance at least one-half of the day counted as being absent? **A.R.S. §§15-901(A)(1)(a)(i) and 15-901(A)(5)(a)(i)**	N/A	School is grades 3-12
5. If the school had an early first grade program, based upon review of 0 early first grade students' attendance records, did the school calculate and submit membership/absence information for this program as it would for kindergarten? **A.R.S. §§15-901(A)(1)(a)(i) and 15-901(A)(5)(a)(i), and USFRCS Memorandum No. 33**	N/A	Program not offered by school

Questions/Subject Area	Yes/No	Comments
For questions 6 and 7, use the following sample sizes:		
SCHOOLWIDE ADM / **Student Attendance Records** **< 1,000** / **5** **1,000 - 5,000** / **10** **> 5,000** / **15** 6. Based upon review of 5 students' attendance records at elementary and junior high schools in which attendance was based on half days, were students in attendance for less than one-half the day counted as being absent for one full day; were students in attendance for at least one-half day, but less than three-quarters of a day, counted as being absent for one-half day; and were students in attendance for at least three-quarters of a day counted in attendance for a day? **A.R.S. §15-901(A)(5)(b)(ii)**	Yes	
7. Based upon review of 0 students' attendance records at elementary and junior high schools where attendance was based on quarter days, were students in attendance for more than three-quarters of the day counted in attendance for a day and students in attendance for three-quarters of the day or less counted in attendance for each quarter of the day in attendance? **A.R.S. §15-901(A)(5)(b)(i)**	N/A	Attendance is based on half days
For questions 8 through 15, use the following sample sizes:		
SCHOOLWIDE ADM / **Student Attendance Records** **< 1,000** / **3** **1,000 - 5,000** / **5** **> 5,000** / **7** 8. For schools approved to report minutes of attendance, based upon review of the attendance records for a 1 month period for 0 students whose attendance was reported in minutes, did the school report minutes of attendance only for actual classroom instruction attended by the students?	N/A	Attendance reported in terms of absences
9. Based upon review of 3 high school students' attendance records, whose attendance was reported in terms of absences, for all absence days reported in a 1 month period, did the school report absences in accordance with the method(s) provided by ADE?	Yes	

Questions/Subject Area	Yes/No	Comments
10. Based upon review of 0 high school students' attendance records, did the school prorate the membership of the students enrolled in less than four subjects?	N/A	No students enrolled in less than four subjects
11. For students enrolled in a program provided by a JTED in a facility owned and operated by a school: a. For schools- Based on a review of 0 students' attendance records, did the school report the actual enrollment and attendance data for only the school classes the student was enrolled in at that school (excluding JTED program classes) under the school's CTDS number?	N/A	Program not offered by school
b. For schools-Based on the review of 0 students' attendance records for all absence days reported in a 1 month period, did the school calculate absences in accordance with the method(s) provided by ADE *and* based on the number of school classes the student was enrolled in and attended (excluding JTED programs classes)? [**Note**: Total membership claimed for the school and the JTED satellite locations for each student should not exceed 1.25. **A.R.S. §15-393(O)**]	N/A	Program not offered by school
12. For schools offering an AOI Program, based upon a review of 0 AOI students' attendance records for 4 weeks: **(ADE's Policies and Procedures Manual, SF-0003-AOI Participation)** a. Was the guardian-approved or school computer-generated daily log describing the amount of time spent by the student on academic tasks maintained by the participating AOI School? **A.R.S. §15-808(E)**	N/A	Program not offered by school
b. Did the hours reported to ADE agree to the guardian-approved or school computer-generated daily log?	N/A	Program not offered by school
c. Were all students who participated in an AOI Program, residents of this state? **A.R.S. §15-808(B)**	N/A	Program not offered by school
d. Was the student's Intended Full Time Equivalency Enrollment Statement maintained?	N/A	Program not offered by school
13. Based on review of the student's attendance records in question 12, did the school follow its procedures, to re-determine the actual FTE for each student enrolled in an AOI Program, following a student's withdrawal or after the end of the school year?	N/A	Program not offered by school
14. Based upon review of 0 students' attendance records (all grades) for students withdrawn for having ten consecutive unexcused absences, was the student only counted in membership through the last day of actual attendance or excused absence? **A.R.S. §15 901(A)(1)**	N/A	No students withdrawn for having ten consecutive unexcused absences

Questions/Subject Area	Yes/No	Comments
15. Based upon review of 5 students' attendance records, does the student's name entered in the student management system match the name on the legal document on file? **A.R.S. §15-828(D)**	Yes	
For questions 16 and 17, use the following sample sizes:		
3 — **Entries/Withdrawals** **< 1,000** — **5** **1,000 - 5,000** — **10** **> 5,000** — **15**		
16. Based upon review of 5 entries: (**Note:** Enrollment forms are not required for continuing students at the same school.)		
a. Were the entry dates entered into the school's computerized attendance system within 5 working days after the actual date of entry and was documentation maintained to support the date of data entry?	Yes	
b. Did the entry date in the computerized attendance system agree to the entry form?	Yes	
c. Did the teacher's attendance registers, if used, and other documentation support the entry date in the computerized attendance system?	N/A	Attendance system is completely electronic
d. Did membership begin on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school? **ADE's External Guideline GE-17**	Yes	
e. Did the school obtain and maintain verifiable documentation of Arizona residency upon enrollment? **A.R.S. §15-802(B)(1) and ADE's Arizona Residency Documentation Guidelines**	Yes	
17. If the school admitted students who were nonresidents of Arizona, were the students excluded from the school's student count and state aid calculations, as applicable? **A.R.S. §15-823(L)**	N/A	All are Arizona residents
18. If the school admitted students who were nonresidents of Arizona, was tuition charged, as applicable? **A.R.S. §15-823**	N/A	All are Arizona residents

Questions/Subject Area	Yes/No	Comments
19. Based upon review of 5 withdrawals:		
a. Were the withdrawal dates entered into the school's computerized attendance system within 5 working days after the actual day of withdrawal and was documentation maintained to support the date of data entry? (**Note:** "Day of withdrawal" for determining timely data entry means: a. the later of the student's withdrawal date or the day the school is notified the student will not be returning; or b. the 10th day of unexcused absence for students withdrawn for having ten consecutive unexcused absences.)	Yes	
b. Did the withdrawal date in the computerized attendance system agree to the withdrawal form? (**Note:** If the computerized attendance system requires the school to input the day following the withdrawal date for a student to be counted in membership through the last day of actual attendance or excused absence, the withdrawal date on the system should be the school day following the withdrawal date on the form.)	Yes	
c. Did the teachers' attendance registers, if used, and other supporting documentation agree to the withdrawal date in the computerized attendance system?	N/A	Attendance system is completely electronic
d. Was an Official Notice of Pupil Withdrawal form prepared and retained for each withdrawal and signed by a school administrator? **A.R.S. §15 827**	Yes	
For question 20, use the following sample sizes: **SCHOOLWIDE ADM** — **Days** **< 1,000** — **3** **1,000 - 5,000** — **5** **5** — **7**		
20. Based upon review of 0 days for various campuses, grades, and classes in the computerized attendance system, did the student absences from each day agree to the teachers' attendance registers, absence slips, or other supporting documentation, if used?	N/A	Attendance system is completely electronic
21. Did the school have adequate electronic or manual controls in place to ensure that any changes to the original record of student attendance data were properly authorized and documented, including the names or identification numbers of the persons making and authorizing the changes?	Yes	

Questions/Subject Area	Yes/No	Comments
22. Was the school's membership/absence information submitted to ADE electronically at least once every 20 school days for membership and 60 days for absence information through the last day of instruction? **A.R.S. §§15-901(A)(1) and 15-1042(G)**	Yes	
23. Based upon review of the school's 100th day information uploaded to ADE (AzEDS ADM15 report shows the 100th day period ADM), did the membership and absences agree to the school's computerized attendance system records? (**Note**: For an AOI Program, review year-end attendance information.)	Yes	
Open Meeting Law A.R.S. § 38-431.01 and § 38-431.02 (See also Attorney General Opinion I00-009)		
1. Did the school conspicuously post a statement on its website stating where all public notices of its meetings will be posted, including the physical and electronic locations?	Yes	
2. Did the school post all public meeting notices on its website?	Yes	
3. Did the school maintain a record of notices that includes a copy of each notice that was posted and information regarding the date, time and place of posting?	Yes	
4. Were notices and agenda of public meetings posted at least 24 hours before the meeting?	Yes	
5. Were written minutes prepared or a recording made of Governing Body meetings?	Yes	
Insurance Requirements A.R.S. §15-183(M)		
Does the school have the required insurance for liability and property loss?	Yes	
Tuition A.R.S. §15-185 (B)(6) (See also Attorney General Opinion I98-007)		
Did the school refrain from charging fees that may be considered tuition other than as provided for in A.R.S. §15-185(B)(6) [nonresidents]?	Yes	
Records Management		
1. Did the school retain records in accordance with the *General Retention Schedules for Education - K-12* published by the Arizona State Library, Archives and Public Records (based on the testing conducted during the course of the audit)? (www.azlibrary.gov/arm/retention-schedules)	Yes	
2. Was adequate documentation retained to support amounts in the financial statements (if the school is not the primary reporting entity - was adequate documentation retained to support revenue and expenses in the charter school)?	Yes	

This Questionnaire was completed in accordance with the minimum standards as set forth in the instructions on pages 2 and 3.

Fester & Chapman, PLLC	February 26, 2019
Audit Firm	Date
Kevin Carlage	Director
Preparer's Signature (Audit Firm Representative)	Title

Exhibit G

BASIS Schools' Articles of Incorporation

ARIZONA CORP COMMISSION
FILED
APR 16 2018
FILE NO. 083537640

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 1 0 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

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

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

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

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

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

Micheel K. Block
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 H

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 I

BASIS Schools' Financial Report

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	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, 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.

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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.