



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2022

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BASIS TEXAS CHARTER SCHOOLS, INC.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 45-4269957
COUNTY DISTRICT NUMBER 015-834

CERTIFICATE OF THE BOARD

We, the undersigned, certify that the attached Financial and Compliance Report of Basis Texas Charter Schools, Inc. was reviewed and (check one) _____ approved _____ disapproved for the year ended June 30, 2022, at a meeting of the governing body of the charter holder on the _____ day of _____, _____.

Signature of Board Secretary

Signature of Board President



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Basis Texas Charter Schools, Inc.
San Antonio, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Basis Texas Charter Schools, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Basis Texas Charter Schools, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Basis Texas Charter Schools, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Basis Texas Charter Schools, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Basis Texas Charter Schools, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Basis Texas Charter Schools, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information (consisting of the statements and schedules as listed in the table of contents and the schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*) is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022 on our consideration of Basis Texas Charter Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Basis Texas Charter Schools, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

December 12, 2022

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

BASIS TEXAS CHARTER SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 7,945,345
Restricted Cash - Debt Service	4,546,520
Accounts Receivable:	
Texas Education Agency	7,040,725
Other	72,183
Receivable from Related Entity BCSI	298,976
Prepaid Expenses	1,116,414
<i>Total Current Assets</i>	<u>21,020,163</u>

Other Assets:

Property and Equipment, net	65,222,985
Financing Right of Use Assets, net	60,729,630
Operating Right of Use Assets, net	276,675
Restricted Cash - Construction	48,422,784
Restricted Investments - Debt Reserve	4,075,735
Restricted Cash - Debt Reserve	2,786,189
<i>Total Other Assets</i>	<u>181,513,998</u>

TOTAL ASSETS \$ 202,534,161

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 9,959,142
Payroll Withholdings and Deductions	3,665
Accrued Interest	10,245
Unearned Revenue	88,620
Long-Term Debt - Current Portion	180,000
Financing Lease Liabilities - Current Portion	457,451
Operating Lease Liabilities - Current Portion	259,503
<i>Total Current Liabilities</i>	<u>10,958,626</u>

Long-term Liabilities:

Principal of Long-Term Debt (net of current)	121,320,000
Unamortized Discounts and Issuance Costs	(3,095,161)
Financing Lease Liabilities (net of current)	63,947,711
Operating Lease Liabilities (net of current)	17,172
<i>Total Long-Term Liabilities</i>	<u>182,189,722</u>
<i>Total Liabilities</i>	<u>193,148,348</u>

Net Assets:

Without Donor Restrictions	2,853,695
With Donor Restrictions	6,532,118
<i>Total Net Assets</i>	<u>9,385,813</u>

TOTAL LIABILITIES AND NET ASSETS \$ 202,534,161

The accompanying notes are an integral part of these financial statements.

BASIS TEXAS CHARTER SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE			
Local Donations and Revenues	\$ 1,689,832	\$ 4,052,661	\$ 5,742,493
State Program Revenues	-	29,021,773	29,021,773
Federal Program Revenues	-	2,540,599	2,540,599
	<u>1,689,832</u>	<u>35,615,033</u>	<u>37,304,865</u>
Net Assets Released from Restrictions	34,124,195	(34,124,195)	-
TOTAL REVENUE	<u>35,814,027</u>	<u>1,490,838</u>	<u>37,304,865</u>
EXPENSES			
Primary and Secondary Education Program	29,242,140	-	29,242,140
General and Administrative	8,651,142	-	8,651,142
Fundraising	230,696	-	230,696
TOTAL EXPENSES	<u>38,123,978</u>	<u>-</u>	<u>38,123,978</u>
EXCESS OF REVENUES OVER EXPENSES	(2,309,951)	1,490,838	(819,113)
OTHER CHANGES IN NET ASSETS			
Return of Donated Land	(1,067,000)	-	(1,067,000)
Gain on Lease Termination	94,164	-	94,164
TOTAL OTHER CHANGES	<u>(972,836)</u>	<u>-</u>	<u>(972,836)</u>
NET CHANGE IN NET ASSETS	(3,282,787)	1,490,838	(1,791,949)
NET ASSETS - BEGINNING OF YEAR	<u>6,136,482</u>	<u>5,041,280</u>	<u>11,177,762</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,853,695</u></u>	<u><u>\$ 6,532,118</u></u>	<u><u>\$ 9,385,813</u></u>

The accompanying notes are an integral part of these financial statements.

BASIS TEXAS CHARTER SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Primary and Secondary Education	General and Administrative	Fundraising	Total
Salaries and Wages	\$ 14,980,582	\$ 2,161,788	\$ 123,363	\$ 17,265,733
Payroll Taxes and Benefits	3,381,728	444,067	9,186	3,834,981
Management and School Development Fees	3,251,508	1,467,617	-	4,719,125
Legal Fees	-	32,455	-	32,455
Accounting Fees	14,640	8,775	-	23,415
Other Service Fees	909,991	632,981	200	1,543,172
Supplies	633,474	278,971	1,360	913,805
Information Technology	85,370	111,605	23	196,998
Insurance	155,476	66,675	-	222,151
Meal Program	53,849	-	-	53,849
Travel	7,513	48,356	78	55,947
Advertising and Promotion	-	670,277	-	670,277
Occupancy	843,409	634,536	-	1,477,945
Office	49,842	44,556	-	94,398
Fundraising	-	-	95,821	95,821
Interest	2,625,034	1,126,555	-	3,751,589
Depreciation	2,041,268	827,055	-	2,868,323
Amortization	39,374	16,874	-	56,248
Other Expenses	169,082	77,999	665	247,746
TOTAL EXPENSES	<u><u>\$ 29,242,140</u></u>	<u><u>\$ 8,651,142</u></u>	<u><u>\$ 230,696</u></u>	<u><u>\$ 38,123,978</u></u>

The accompanying notes are an integral part of these financial statements.

BASIS TEXAS CHARTER SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES

Cash Received from State and Federal Grantors	\$ 28,209,460
Cash Received from Others	5,444,720
Payments to Employees for Services	(278,595)
Payments to Vendors for Goods and Services	(24,852,541)
Payments of Interest	<u>(3,756,960)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>4,766,084</u>

CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES

Purchase of Investments	(4,331,068)
Purchase of Property and Equipment	<u>(51,936,326)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(56,267,394)</u>

CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES

Issuance of Long-Term Debt (net of discount)	107,653,500
Debt Issuance Costs Paid	(2,017,103)
Principal Paid on Financing Lease Liabilities	<u>(381,675)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>105,254,722</u>

NET INCREASE (DECREASE) IN CASH	53,753,412
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BEGINNING CASH AND CASH EQUIVALENTS

Unrestricted	8,740,350
Restricted	<u>1,207,076</u>
	<u>9,947,426</u>

ENDING CASH AND CASH EQUIVALENTS

Unrestricted	7,945,345
Restricted	<u>55,755,493</u>
	<u><u>\$ 63,700,838</u></u>

NONCASH TRANSACTIONS

Return of Donated Land	\$ (1,067,000)
Operating Lease of Buildings	458,157

The accompanying notes are an integral part of these financial statements.

BASIS TEXAS CHARTER SCHOOLS, INC.
STATEMENT OF CASH FLOWS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2022

**RECONCILIATION OF CHANGES IN NET ASSETS TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Increase (Decrease) in Net Assets	\$ (1,791,949)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	2,868,323
Investment Unrealized Losses	255,333
Amortization - Debt Issuance Costs	56,248
Amortization - Bond Discounts	12,282
Gain on Lease Termination	(94,164)
Non-cash Contribution	1,067,000
(Increase) Decrease in Current Assets:	
Accounts Receivable:	
Texas Education Agency	(3,352,912)
Other	(10,313)
Receivable from Related Entity BCSI	(258,280)
Prepaid Expenses	(503,938)
Operating Right of Use Assets	(32,291)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	7,138,652
Payroll Withholdings and Deductions	(13,352)
Accrued Interest	(10,236)
Unearned Revenue	(542,793)
Operating Lease Liabilities	(21,526)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 4,766,084</u>

The accompanying notes are an integral part of these financial statements.

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Basis Texas Charter Schools, Inc. (BTCS) is a Texas nonprofit corporation that operates seven open-enrollment charter schools, serving grades kindergarten through twelfth in San Antonio and Austin areas. BTCS's single member is BASIS Charter Schools, Inc. (BCSI) (an Arizona based nonprofit corporation). In 2013, the State Board of Education of the State of Texas approved the open-enrollment charter, pursuant to Chapter 12 of the Texas Education Code ("TEC"), to BTCS. BTCS is governed by a Board of Directors comprised of six members. The Board of Directors is appointed by BCSI and has the authority to make decisions, appoint the chief executive officer of the Charter, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter.

BTCS receives the majority of its funding from the Texas Education Agency based on average daily attendance in the schools it operates. Since the Charter receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

BTCS does not conduct any non-charter activities.

Basis of Accounting and Presentation

The general-purpose financial statements of BTCS were prepared in conformity with accounting principles generally accepted in the United States. The *Financial Accounting Standards Board* is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when they are incurred.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Without Donor Restrictions – net assets that are not subject to grantor or donor-imposed stipulations.

With Donor Restrictions – net assets subject to grantor or donor-imposed stipulations that may or will be met either by actions of BTCS and/or passage of time.

Cash and Cash Equivalents

For financial statement purposes, BTCS considers all highly liquid investment instruments with an original maturity of three months or less to be cash. This includes treasury backed money market mutual funds.

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Investments and Fair Value

BTCS invests debt service reserve accounts in federal government backed debt securities and money market mutual funds. These investments are reported at fair value. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Contributions

BTCS accounts for contributions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions. Unconditional promises to give are recorded as contribution revenue when the promise is made. Conditional promises are recorded once conditions are met.

Capital Assets

Capital assets are defined by BTCS as assets with a useful life greater than one year and an individual cost of more than \$300 and all textbooks. Such assets are recorded at historical cost (or fair value if donated) and are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Useful lives are generally estimated to be 3-to-5 years for furniture and equipment, 40 years for buildings and 34 years for leasehold improvements.

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Leases

BTCS classifies leases as financing or operating based on the nature of the agreement. This determination is performed at the inception of the lease and not reevaluated unless the contract is modified or lease termination/extension options are exercised that were not expected. Both types of leases result in lease liabilities and right to use assets on the statement of financial position based on discounted cash flows using either the implicit rate in the lease or BTCS' incremental borrowing rate. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Finance lease right to use assets are amortized as a component of depreciation expense. Leases may include non-lease components; however, these are accounted for as a single lease component.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

Costs associated with running the Organization's programs are shown as program expenses. Costs directly related to the central office are allocated to management and general. This includes personnel costs of the executive director and deputy superintendent and occupancy costs for the central office. Other costs are allocated based on job descriptions and estimates of time spent on activities.

Income Taxes

Basis Texas Charter Schools, Inc. is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except to the extent that it has unrelated business income. As such, no provision for income taxes has been made in the financial statements. The organizations generally are no longer subject to income tax examination by Federal authorities for years prior to June 30, 2019.

Subsequent Events

Subsequent events were considered through December 12, 2022, which is the date the financial statements were available to be issued.

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 2 -- CASH

As of June 30, 2022, cash consisted of FDIC insured accounts and U.S. Treasury Security backed money market mutual funds as follows:

Checking Accounts:	
Insured by FDIC	\$ 250,000
Collateralized by Securities Pledged by Depository	5,945,045
Uncollateralized	3,148,523
US Treasury Security Backed Money Market Mutual Funds	<u>54,357,270</u>
Total Cash and Cash Equivalents	<u>\$ 63,700,838</u>

NOTE 3 -- INVESTMENTS

As of June 30, 2022, BTCS had the following investments:

Investments	Weighted Average Maturity (Days)	Fair Value	Cost	Fair Value Level
Federal Home Loan Bank Notes	1,122	\$ 2,472,523	\$ 2,581,781	1
United States Treasury Notes	1,021	<u>1,603,212</u>	<u>1,746,793</u>	1
Total Investments	1,082	<u>\$ 4,075,735</u>	<u>\$ 4,328,574</u>	

Investment income for the year ending June 30, 2022 consisted of the following:

Investment Income	
Interest Income	\$ 35,513
Realized Losses	(2,493)
Unrealized Losses	<u>(252,839)</u>
Total Investment Income	<u>\$ (219,819)</u>

NOTE 4 -- ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2022 were made up of the following:

Texas Education Agency	
Foundation School Program	\$ 4,585,916
Federal Reimbursement Grants	2,225,854
Other State Programs	228,955
Other	
Miscellaneous	<u>72,183</u>
Total Accounts Receivable	<u>\$ 7,112,908</u>

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 5 -- PROMISES TO GIVE

As of June 30, 2022, BTCS had \$8.2 million remaining on eight conditional promises to give that will be recorded once the conditions (performance and growth metrics) are achieved.

NOTE 6 -- CAPITAL ASSETS

Capital assets acquired with public funds received by BTCS for the operation of the open-enrollment charter schools constitute public property pursuant to Charter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets. Depreciation expense (including depreciation on financing right of use assets) was \$2,868,323 for the year ended June 30, 2022. Capital assets at June 30, 2022 were as follows:

	Capital Assets	Financing Right of Use Assets
Land	\$ 13,322,570	\$ -
Construction in Progress	42,626,008	-
Buildings	8,325,348	65,011,685
Leasehold Improvements	91,205	-
Furniture, Equipment & Textbooks	2,888,155	88,628
Total Property and Equipment	67,253,286	65,100,313
Less: Accumulated Depreciation	(2,030,301)	(4,370,683)
Property and Equipment - Net	<u>\$ 65,222,985</u>	<u>\$ 60,729,630</u>

Land and construction in progress are not depreciated.

NOTE 7 -- LONG-TERM DEBT

The Arlington Higher Education Finance Corporation has issued three conduit debt series for the benefit of BTCS to purchase and renovate a new campuses in Austin, San Antonio and Fort Worth. BTCS has pledged the resulting property, future revenues and cash deposits as security for the bonds. In addition, BTCS is required to maintain compliance with certain covenants, including monthly deposits to both a reserve fund and interest and sinking fund. BTCS has complied with these covenants. The liability is reported net of unamortized premiums and issuance costs as follows:

	Balance	Maturity	Interest Rate
Outstanding Bonds Payable:			
2020 A & B	\$ 12,465,000	June 2050	4.000%
2021	65,000,000	June 2056	4.500%
2022	43,635,000	June 2056	5.375%
Outstanding Note Payable	400,000	July 2025	4.000%
Unamortized Bond Discounts	(575,718)		
Unamortized Issuance Costs	(2,519,443)		
Net Debt	<u>\$ 118,404,839</u>		

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 7 -- LONG-TERM DEBT (CONT.)

Both the 2021 and 2022 bonds were privately placed and are subject to tender dates of June 15, 2026. If not remarketed at that time, interest will increase to a rate of 12%. Future debt service requirements are as follows and are based on assumptions that the 2021 and 2022 bonds will continue at their stated interest rates:

Year Ending June 30,	Bonds Payable		Note Payable		Total
	Principal	Interest	Principal	Interest	
2023	\$ 180,000	\$ 5,684,287	\$ -	\$ 16,000	\$ 5,880,287
2024	260,000	5,761,781	-	16,000	6,037,781
2025	270,000	5,751,381	-	16,000	6,037,381
2026	280,000	5,740,581	400,000	16,000	6,436,581
2027	2,220,000	5,624,700	-	-	7,844,700
2028-2032	12,495,000	2,173,000	-	-	14,668,000
2033-2037	15,225,000	1,829,000	-	-	17,054,000
2038-2042	18,570,000	1,410,200	-	-	19,980,200
2043-2047	22,625,000	899,800	-	-	23,524,800
2048-2052	26,055,000	278,800	-	-	26,333,800
2053-2056	22,920,000	278,800	-	-	23,198,800
	<u>\$ 121,100,000</u>	<u>\$ 35,432,330</u>	<u>\$ 400,000</u>	<u>\$ 64,000</u>	<u>\$ 156,996,330</u>

NOTE 8 -- NET ASSETS WITH RESTRICTIONS

Net assets with restriction as of June 30, 2022 consists of the following restrictions:

Federal Programs	\$ 60,247
Teacher Compensation	583,449
Fort Worth Campuses	1,371,449
Austin Campuses	97,445
San Antonio Campuses	4,419,528
Total Net Assets with Donor Restrictions	<u>\$ 6,532,118</u>

Releases of net assets with restrictions during the year ending June 30, 2022 were as follows:

Foundation School Program	\$ 29,490,544
San Antonio Campus Operations	217,781
Austin Campus Operations	502,555
Forth Worth Campus Operations	209,433
Teacher Compensation	948,074
Federal Programs	2,480,352
Other State Programs	275,456
Total Release From Restriction	<u>\$ 34,124,195</u>

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 9 -- PENSION PLAN OBLIGATION

The charter school contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the charter school, but are the liability of the State of Texas. Charters are legally separate entities from the State and there is no withdrawal penalty for leaving TRS. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publications Heading.

The plan financial statements for the year ending August 31, 2021 reported a plan net position of \$202 billion with a total pension liability of \$227 billion. Net position of the plan represented 89% of the total pension liability.

Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. The following table presents contributions and rates:

	<u>Member</u>	<u>State</u>	<u>Employer</u>
<i>Contribution Rate</i>			
September - August 2022	8.00%	7.75%	1.70%
September - August 2021	7.70%	7.50%	1.60%
<i>Contributions</i>			
July - June 2022	\$ 16,595	\$ 16,091	\$ 8,242

The employer is also required to contribute in certain circumstances such as salaries funded through certain private and federal grants, new members, and salaries in excess of the statutory minimums.

Leased personnel of the management company (see Note 13) are not Texas employees and thus do not participate in the Teacher Retirement System.

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 10 -- RETIREE HEALTH PLAN

TRS also offers retiree health insurance, called TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan. Qualified retirees (and their dependents) receive health insurance paid for by the plan. The statutory authority for the program is Texas Insurance Code, Chapter 1575. The State, employees and employers contribute a portion of covered payroll.

The plan financial statements for the year ending August 31, 2021 reported a plan net position of \$2.5 billion with a total OPEB liability of \$41 billion. Net position of the plan represented 6% of the total OPEB liability.

Contribution requirements are not actuarially determined but are established each biennium by the Texas State Legislature. Contribution rates and amounts were as follows:

	<u>Member</u>	<u>State</u>	<u>Employer</u>
<i>Contribution Rate</i>			
September - August 2022	0.65%	1.25%	0.75%
September - August 2021	0.65%	1.25%	0.75%
<i>Contributions</i>			
July - June 2022	\$ 1,356	\$ 2,608	\$ 1,565

NOTE 11 -- HEALTH CARE COVERAGE

During the year ended June 30, 2022, the employees of Basis Texas Charter Schools, Inc. were covered by a Health Insurance Plan (the Plan). The Charter contributes an amount per month per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers.

NOTE 12 -- RELATED ENTITY

BASIS Charter Schools Inc. (BCSI) is the sole member of BTCS, has common management (BASIS Educational Group (See Note 13)), and shares one common Board member. BCSI also has the authority to appoint members to the Board of Directors of BTCS. BTCS leases facilities from BCSI (See Note 14) and the two entities collaborate on projects to minimize costs and ease administrative burden. In the normal course of their operations, payables and receivables are incurred between these entities and are separately identified on the Statement of Financial Position.

NOTE 13 -- BASIS EDUCATIONAL GROUP MANAGEMENT AGREEMENT

BTCS contracted with BASIS Educational Group (BASIS.ed) to perform management and operational functions of BTCS, including leased personnel, and to participate in the BASIS education model. Management fees are paid to BASIS.ed based on a percentage of certain revenue. Expenses recognized to BASIS.ed for the year ending June 30, 2022 were \$4.3 million for management fees, \$20.9 million for leased personnel and \$600 thousand for recruiting and school development.

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 14 -- LEASES

BTCS has three long-term leases with BCSI for three campuses in San Antonio. The lease agreements provide a schedule of required monthly payments for the entire terms through June 30, 2052. BTCS has pledged all revenues to satisfying these lease payments, including State payments to the extent the lease payments represent authorized purposes under the Texas Education Code. Because of the length of the term and significance of the present value compared to the fair value of the buildings, the leases were classified as financing leases. Payments for the year ending June 30, 2022 related to the BCSI leases was \$3.58 million.

In addition, BTCS has signed shorter term leases of facilities for an office and a campus location. BTCS has determined these leases to be operating based on their length. The leases require monthly payments.

Lease Costs

Financing Leases:

Amortization of Right of Use Assets	\$ 2,159,492
Interest on Lease Liabilities	3,228,338
Operating Lease Cost	365,261
Short-term Lease Cost	27,760
Total Lease Costs	<u>\$ 5,780,851</u>

Other Information

Cash Paid for Amounts Included in Measurement of Lease Liabilities:

Operating Cash Flows from Finance Leases	\$ 3,228,338
Operating Cash Flows from Operating Leases	316,763
Financing Cash Flows from Finance Leases	381,675

Right of Use Assets Obtained in Exchange for New:

Finance Lease Liabilities	-
Operating Lease Liabilities	458,157

Weighted Average Remaining Lease Term:

Financing Leases	338 months
Operating Leases	23 months

Weighted Average Discount Rate

Financing Leases	5.0%
Operating Leases	5.0%

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 14 -- LEASES (CONT.)

Future cash flows on the leases are as follows:

Year Ending June 30,	Future Minimum Lease Payments	
	Financing	Operating
2023	\$ 3,635,273	\$ 267,443
2024	3,689,811	17,495
2025	3,745,153	-
2026	3,801,331	-
2027	3,858,352	-
Thereafter	107,274,540	-
Total Payments	126,004,460	284,938
Less: Future Interest	(61,599,298)	(8,263)
Lease Liabilities	<u>\$ 64,405,162</u>	<u>\$ 276,675</u>

NOTE 15 -- LIQUIDITY AND AVAILABILITY

The following resources are available to fund future operations:

Current Assets:

Unrestricted Cash and Cash Equivalents	\$ 7,945,345
Accounts Receivable	7,112,908
Prepaid Expenses	1,116,414
Receivable from Related Entity BCSI	298,976

Current Liabilities:

Accounts Payable and Accrued Expenses	(9,959,142)
Payroll Withholdings and Deductions	(3,665)
Accrued Interest	(10,245)
Unearned Revenue	(88,620)
Current Portion of Lease Liabilities & Debt	(896,954)

Adjustments:

Accrued Interest Payable from Restricted Assets	10,245
Debt Principal Payable from Restricted Assets	180,000
Net Assets with Restrictions Beyond Regional Operations	<u>(643,696)</u>

<i>Resources Available to Fund Operations</i>	<u><u>\$ 5,061,566</u></u>
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BTCS is substantially supported by the State of Texas Foundation School Program (FSP) which is based on student enrollment. While some donations are restricted to particular regions, they are unrestricted in those regions. Thus, those restrictions are not presented above. In addition, an estimated FSP allotment of \$38.0 million will be available to fund the 2023 fiscal year.

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 16 -- RETURN OF DONATED LAND

In 2018, BTCS received a donation of land upon which management intended to construct a new campus. After conducting due diligence on the property, management made the determination that the land was not suitable for a new campus. Per the terms of the original grant, BTCS contributed the land to the Elma Dill Russell Spencer Foundation.

NOTE 17 -- CONTINGENCIES

The Charter receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

NOTE 18 -- LITIGATION

Management is unaware of any pending or likely litigation that could result in a material impact on these financial statements.

NOTE 19 -- COMMITMENT

BTCS entered into agreements for architectural services and construction for four new campuses totaling \$41.2 million. As of June 30, 2022, \$35.1 million had been incurred, leaving an estimated commitment of \$6.1 million.

SUPPLEMENTARY INFORMATION

BASIS TEXAS CHARTER SCHOOLS, INC.
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

EXPENSES

6100 Payroll	\$ 265,243
6200 Professional and Contracted Services	28,769,240
6300 Supplies and Materials	1,143,609
6400 Other Operating Costs	4,130,632
6500 Debt Service	<u>3,815,254</u>
Total Expenses	<u><u>\$ 38,123,978</u></u>

BASIS TEXAS CHARTER SCHOOLS, INC.
SCHEDULE OF CAPITAL ASSETS
JUNE 30, 2022

	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
1110 Cash and Investments	\$ 22,394,423	\$ 41,306,415	\$ -	\$ 63,700,838
1120 Land and Improvements	-	4,075,735	-	4,075,735
1510 Land and Improvements	3,060,605	10,261,965	-	13,322,570
1520 Buildings and Improvements	8,131,555	193,793	91,205	8,416,553
1531 Vehicles	-	-	-	-
1539 Furniture and Equipment > \$5,000	308,608	5,735	220,819	535,162
1549 Furniture and Equipment < \$5,000	1,207,149	343,508	802,336	2,352,993
1590 Construction in Progress	-	42,625,658	350	42,626,008
Total Property and Equipment	<u>\$ 35,102,340</u>	<u>\$ 98,812,809</u>	<u>\$ 1,114,710</u>	<u>\$ 135,029,859</u>

See Independent Auditor's Report.

BASIS TEXAS CHARTER SCHOOLS, INC.
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary)</u>	<u>Final Budget</u>
REVENUE				
<i>Local Revenue</i>				
5740 Other Local Revenues	\$ 6,900,934	\$ 5,936,601	\$ 5,742,493	\$ (194,108)
<i>State Program Revenue</i>				
5810 Foundation School Program	28,935,598	28,624,385	28,746,317	121,932
5820 Other State Programs	389,395	263,975	275,456	11,481
<i>Federal Program Revenue</i>				
5920 Passed Through Texas Education Agency	1,382,441	2,545,824	2,540,599	(5,225)
TOTAL REVENUE	<u>37,608,368</u>	<u>37,370,785</u>	<u>37,304,865</u>	<u>(65,920)</u>
EXPENSES				
11 Instruction	14,655,902	14,709,609	14,863,754	(154,145)
13 Curriculum Development and Instructional Student Development	1,379,531	1,284,121	1,235,619	48,502
23 School Leadership	5,172,696	5,562,801	5,820,806	(258,005)
31 Guidance, Counseling and Evaluation Services	1,982,046	2,003,135	2,034,028	(30,893)
35 Food Service	54,000	54,000	53,849	151
36 Extracurricular Activities	709,611	710,797	595,870	114,927
41 General Administration	4,375,067	4,326,518	3,941,963	384,555
51 Plant Maintenance	1,553,124	1,847,804	1,772,956	74,848
53 Data Processing Services	1,139,786	1,138,527	1,121,555	16,972
71 Debt Service	4,029,559	4,082,486	3,746,725	335,761
TOTAL EXPENSES	<u>35,051,322</u>	<u>35,719,798</u>	<u>35,187,125</u>	<u>532,673</u>
CHANGE IN NET ASSETS	<u>\$ 2,557,046</u>	<u>\$ 1,650,987</u>	2,117,740	<u>\$ 466,753</u>
Reconciliation to Net Change in Net Assets				
Perspective Differences:				
Gain on Lease Termination			94,164	
Amortization of Bond Issuance Costs and Discounts			(68,530)	
Land Contribution			(1,067,000)	
Depreciation			(2,868,323)	
Change in Net Assets (GAAP Basis)			<u>\$ (1,791,949)</u>	

See Independent Auditor's Report.

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022

BUDGETARY BASIS

BTCS does not budget for depreciation, amortization or capital expenditures. Those amounts, if any, have been removed from the actual amount column for budget analysis purposes and presented as a reconciling item. In addition, BTCS budgets for leases based on scheduled payments.

BUDGETARY AMENDMENTS

BTCS amended the budget during year based on enrollment trends and grants received. The following functions experienced an amendment that exceeded 10%:

51 Plant Maintenance

BTCS is expanding in Texas with new campuses in Fort Worth, Austin and San Antonio. These new campuses require maintenance and utilities that exceeded expectations in the original budget.

BASIS TEXAS CHARTER SCHOOLS, INC.
CHARTER SCHOOL STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE			
<i>Local Revenue</i>			
5740 Other Local Revenues	\$ 1,689,832	\$ 4,052,661	\$ 5,742,493
<i>State Program Revenue</i>			
5810 Foundation School Program	-	28,746,317	28,746,317
5820 Other State Programs	-	275,456	275,456
<i>Federal Program Revenue</i>			
5920 Passed Through Texas Education Agency	-	2,540,599	2,540,599
	<u>1,689,832</u>	<u>35,615,033</u>	<u>37,304,865</u>
Net Assets Released from Restrictions	<u>34,124,195</u>	<u>(34,124,195)</u>	<u>-</u>
TOTAL REVENUE	<u>35,814,027</u>	<u>1,490,838</u>	<u>37,304,865</u>
EXPENSES			
11 Instruction	15,095,043	-	15,095,043
13 Curriculum Development and Instructional Student Development	1,235,989	-	1,235,989
23 School Leadership	5,906,837	-	5,906,837
31 Guidance, Counseling and Evaluation Services	2,037,233	-	2,037,233
35 Food Service	53,849	-	53,849
36 Extracurricular Activities	598,574	-	598,574
41 General Administration	3,945,295	-	3,945,295
51 Plant Maintenance	4,302,262	-	4,302,262
52 Security and Monitoring	12,086	-	12,086
53 Data Processing	1,121,555	-	1,121,555
71 Debt Service	<u>3,815,255</u>	<u>-</u>	<u>3,815,255</u>
TOTAL EXPENSES	<u>38,123,978</u>	<u>-</u>	<u>38,123,978</u>
EXCESS OF REVENUES OVER EXPENSES	(2,309,951)	1,490,838	(819,113)
OTHER CHANGES IN NET ASSETS			
Return of Donated Land	(1,067,000)	-	(1,067,000)
Gain on Lease Termination	<u>94,164</u>	<u>-</u>	<u>94,164</u>
TOTAL OTHER CHANGES	<u>(972,836)</u>	<u>-</u>	<u>(972,836)</u>
CHANGE IN NET ASSETS	(3,282,787)	1,490,838	(1,791,949)
NET ASSETS - BEGINNING OF YEAR	<u>6,136,482</u>	<u>5,041,280</u>	<u>11,177,762</u>
NET ASSETS - END OF YEAR	<u>\$ 2,853,695</u>	<u>\$ 6,532,118</u>	<u>\$ 9,385,813</u>

See Independent Auditor's Report.

BASIS TEXAS CHARTER SCHOOLS, INC.
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED JUNE 30, 2022

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
San Antonio Northeast Campus	6153 Randolph Blvd San Antonio, TX 78233	\$ 746,540	\$ 746,540	\$ -	\$ -
San Antonio Northeast Campus	11542 Wayland Way San Antonio, TX 78233	1,262,900	1,262,900	-	-
San Antonio Northeast Campus	11550 IH 35 N San Antonio, TX 78233	9,523,750	9,523,750	-	-
Jack Lewis Jr Campus	N Ellison Blvd San Antonio, TX 78245	2,242,630	-	2,242,630	-
Pflugerville Campus	Wells Branch Parkway Pflugerville, TX 78660	1,129,075	-	1,129,075	-
Benbrook Campus	8901 Vista Way Benbrook, TX 76126	1,142,700	-	1,142,700	-
Cedar Park Campus	Lakeline Blvd Cedar Park, TX 78613	1,252,663	-	1,252,663	-

See Independent Auditor's Report.

BASIS TEXAS CHARTER SCHOOLS, INC.
SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 2022

Related Party	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During the Year	Principal Balance Due
Basis Charter Schools, Inc.	Basis Texas Charter Schools, Inc.	Sole Member	Financial	Lease Agreements	State	Monthly	\$ 3,581,558	\$63,947,711
Basis Charter Schools, Inc.	Basis Texas Charter Schools, Inc.	Sole Member	Financial	Cost Allocations	State	Monthly	282,923	-

See Independent Auditor's Report.

BASIS TEXAS CHARTER SCHOOLS, INC.
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
FOR THE YEAR ENDED JUNE 30, 2022

Not Applicable.

BASIS TEXAS CHARTER SCHOOLS, INC.
SPECIAL PROGRAM COMPLIANCE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		<u>Responses</u>
	<u>Section A: Compensatory Education Programs</u>	
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 412,564
AP4	List the actual direct program expenditures for state compensatory education during the LEA's fiscal year (PICs 24, 26, 28, 29, 30, 34)	\$ 244,705
	<u>Section B: Bilingual Education Programs</u>	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 255,779
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 138,945

BASIS TEXAS CHARTER SCHOOLS, INC.
OBLIGATED GROUP STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2022

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,475,241
Restricted Cash - Debt Service	4,546,520
Accounts Receivable:	
Texas Education Agency	3,255,120
Other	7,285
Payable to Related Entity BCSI	17,346
Prepaid Expenses	774,434
<i>Total Current Assets</i>	<u>10,075,946</u>

Other Assets:

Property and Equipment, net	64,597,850
Financing Right of Use Assets, net	26,409
Operating Right of Use Assets, net	234,793
Restricted Cash - Construction	48,422,784
Restricted Cash and Investments - Debt Reserve	6,861,924
<i>Total Other Assets</i>	<u>120,143,760</u>

TOTAL ASSETS	<u><u>\$ 130,219,706</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 7,503,121
Unearned Revenue	11,330
Long-Term Debt - Current Portion	180,000
Operating Lease Liabilities	234,793
Financing Lease Liabilities	31,196
<i>Total Current Liabilities</i>	<u>7,960,440</u>

Long-term Liabilities:

Principal of Long-Term Debt (net of current)	121,320,000
Unamortized Discounts and Issuance Costs	(3,095,161)
<i>Total Long-Term Liabilities</i>	<u>118,224,839</u>
<i>Total Liabilities</i>	<u>126,185,279</u>

<i>Total Net Assets</i>	<u>4,034,427</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 130,219,706</u></u>
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BASIS TEXAS CHARTER SCHOOLS, INC.
OBLIGATED GROUP STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

REVENUE

Local Donations and Revenues	\$ 3,455,741
State Program Revenues	8,834,276
Federal Program Revenues	<u>1,772,635</u>
TOTAL REVENUE	<u>14,062,652</u>

EXPENSES

Salaries and Wages	5,629,270
Payroll Taxes and Benefits	1,189,930
Management Fees	1,632,392
Other Service Fees	246,240
Supplies	526,577
Information Technology	52,234
Insurance	57,236
Meal Program	53,849
Travel	14,464
Occupancy	748,626
Office	34,541
Fundraising	24,673
Interest	510,970
Depreciation	482,855
Amortization	68,530
Other Expense	114,958
Central Office Cost Allocation	<u>1,271,050</u>
TOTAL EXPENSES	<u>12,658,395</u>

**EXCESS OF REVENUES
OVER EXPENSES**

1,404,257

Gain on Lease Termination	<u>94,164</u>
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NET CHANGE IN NET ASSETS

1,498,421

NET ASSETS - BEGINNING OF YEAR

2,536,006

NET ASSETS - END OF YEAR

\$ 4,034,427

BASIS TEXAS CHARTER SCHOOLS, INC.
OBLIGATED GROUP SCHEDULE OF DEBT COVENANT RATIOS
FOR THE YEAR ENDED JUNE 30, 2022

Net income available for debt service:

Total Revenues		\$ 14,062,652
Total Expenses	\$ 12,658,395	
Depreciation	(482,855)	
Amortization	(68,530)	
Interest	(510,970)	
Repairs and Replacements	-	
Unrealized Gains or Losses	(252,839)	11,343,201

Net income available for debt service: **2,719,451**

	<u>Year</u>	
Fiscal Year Debt Service Requirement:	2021-2022	3,073,975
Less Amounts in Capitalized Interest		<u>(2,559,375)</u>
Net Debt Service Requirement		514,600

Debt Service Coverage Ratio **5.28**

Unrestricted Cash \$ 1,475,241

Total Expenses	\$ 12,658,395	
Depreciation	(482,855)	
Amortization	(68,530)	
Interest	<u>(510,970)</u>	\$ 11,596,040

Days Cash on Hand **46**

**COMPLIANCE AND
INTERNAL CONTROL**



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Basis Texas Charter Schools, Inc. (BTCS)
San Antonio, Texas

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of BTCS, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 12, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BTCS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BTCS's internal control. Accordingly, we do not express an opinion on the effectiveness of BTCS's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Basis Texas Charter Schools, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Basis Texas Charter Schools, Inc. in a separate letter dated December 12, 2022.

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.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.
December 12, 2022



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Directors
Basis Texas Charter Schools, Inc.
San Antonio, TX

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Basis Texas Charter Schools, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Basis Texas Charter Schools, Inc.'s major federal programs for the year ended June 30, 2022. Basis Texas Charter Schools, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Basis Texas Charter Schools, Inc. complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Basis Texas Charter Schools, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Basis Texas Charter Schools, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Basis Texas Charter Schools, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Basis Texas Charter Schools, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Basis Texas Charter Schools, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Basis Texas Charter Schools, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Basis Texas Charter Schools, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Basis Texas Charter Schools, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

December 12, 2022

BASIS TEXAS CHARTER SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Any material weaknesses identified? Yes X No

Any significant deficiencies identified? Yes X No

Noncompliance material to financial Statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Any material weaknesses identified? Yes X No

Any significant deficiencies identified? Yes X No

Type of auditor's 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)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425U	Elementary and Secondary School Emergency Relief

Dollar threshold used to distinguish between Type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings
NONE

C. Federal Award Findings and Questioned Costs
NONE

D. Prior Audit Findings Related to Federal Awards
NONE

BASIS TEXAS CHARTER SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Texas Education Agency</i>			
Expanding Opportunity Through Quality			
Charter Schools Program	84.282A	215901017110005	\$ 924,491
IDEA B Formula	84.027A	226600010158346000	400,088
Elementary and Secondary School Emergency Relief			
American Rescue Plan	84.425U	21528043045834	1,117,345
Title II Part A	84.367A	22694501015834	1,140
Title III Part A	84.365A	22671001015834	21,344
Summer School LEP	84.369A	69552002	5,898
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,470,306</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Texas Education Agency</i>			
ELC Reopening Schools	93.323		<u>70,293</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>70,293</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,540,599</u></u>

BASIS TEXAS CHARTER SCHOOLS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

For all Federal programs, BTCS follows generally accepted accounting principles. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned. Once costs are incurred on reimbursement grants, a receivable from the granting agency is recorded. Grant revenues are also considered earned upon the purchase of a capital asset.

BTCS has not elected to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.