

Executive Summary

1. Mission and Vision

Mission Statement

BASIS Indianapolis will provide an accelerated liberal arts education at internationally competitive levels for all students. The rigorous college preparatory education at BASIS readies students for the competitive admissions process, helps them become eligible for scholarships, prepares them to prosper at top colleges, and enriches their lives.

Vision

It is no secret that in today's economy an outstanding education is of paramount importance. Yet, most children's high school careers last only about two million minutes, a relatively short period of time in which to lay the educational groundwork for a successful future. BASIS's goal is to use all of those precious minutes to guide our students toward the highest possible academic achievement. The first step on this path to success is to maximize the amount of time students spend preparing for their academic futures. By starting in 5th grade and ensuring our entire curriculum is aligned to college preparatory standards, BASIS introduces students to intellectual material much earlier than most schools. Since our educational philosophy is also based around a spiraling method of content practice and mastery, where material from lessons and years past is continually practiced alongside new material, our students are exposed to high level concepts frequently throughout the years. This maximizes the amount of time we have with each student because it offers them the chance to use the knowledge and skills they need to be productive members of high level academic communities every day.

Our targeted population includes Indiana students who desire an intensive, internationally-benchmarked, college preparatory education. In order to give them the education they need to thrive in college and beyond, we must ensure that the students are well prepared in all aspects of academic and social life. To that end, the BASIS mission rests on three pillars: a rigorous curriculum, student accountability, and knowledgeable and effective teachers. Walk into any BASIS classroom at any grade level and you will see the three pillars of the BASIS educational philosophy at work. We believe strongly that all students are capable of producing high quality scholarship, but only if they are asked and expected to do so. The standard BASIS curriculum, successful in all of its incarnations in Arizona, asks students to wrestle with interesting and challenging problems every day as they explore their world deeply. We believe that, in order to become great scholars, students need highly qualified, expert mentors to show them the way. We ask students to take responsibility for their work, to become resilient and creative thinkers, to commit to memory an extensive cache of core knowledge about which to think, and to develop confidence in their ability to consistently produce high quality work.

The BASIS educational model is simple in concept but complex in practice. It is not hard to imagine a school where the students are held to the highest possible academic standards, where they are asked to take responsibility for their own work, and where the teachers are both highly qualified and motivated to help students in any way possible. Yet imagining this kind of school is not enough. At BASIS, we bring these ideas to life every day. We understand that a student's time to prepare for college is exceedingly short; it is our goal to make the most of their two million minutes with us by providing them the most focused and best college preparatory education possible.

2. Educational Need and Target Population

Indianapolis is a large city, but it retains the charms and personality of a close-knit community. By introducing an academically rigorous college preparatory school to the city, we will serve students and parents who seek the challenge of a world-class education. Historically, Indianapolis has a very low high school graduation rate, especially when compared to cities of similar size. BASIS aims to change this distressing trend. We will build a school in Northwest Indianapolis in the model of the highly successful, rigorous liberal arts high schools we operate in Arizona. The school will be open enrollment, and we will enroll students from across the city and state, offering the academic guidance that Indiana students need to thrive in the college admissions process and the ever-changing global marketplace. We have maintained a 100% graduation rate at all of our campuses for the thirteen years we have been in operation, and we expect the same results at BASIS Indianapolis. Not only will we offer our own students a world-class education, but we will also raise the expectations for academic rigor and student support at schools across the city and state.

An important aspect of our school mission is that we provide all students with an academically excellent education, regardless of educational, ethnic, racial, or socioeconomic background. Thus, we have targeted a student population that accurately reflects the demographics of the state of Indiana and the city of Indianapolis. Since we expect to enroll students from all eleven school districts in the city, as well as from outside city limits, we expect the student population to be diverse. As an open-enrollment public charter school, BASIS Indianapolis will adhere to all applicable federal, state, and local rules and guidelines regarding enrollment. As we state in *Attachment 7: Enrollment Policy*, we will make public an open enrollment period followed by a lottery, should the demand for registration exceed the number of spaces we have available. The only priority admission will be given to siblings of students currently enrolled in BASIS Indianapolis, children of faculty, and children of Board members, which adheres to Indiana charter school code.

3. Community Engagement

As we made the decision to pursue a charter in Indiana, the BASIS School, Inc. (BSI) New School Development Department developed a strong working relationship with the authorizer. We believe this relationship will be essential to the successful opening and operation of BASIS Indianapolis, and we have every intention of continuing our goal relationship with the Indiana Charter School Board (ICSB). ICSB offers BASIS the opportunity to work closely with an organization which shares the common goal of increasing the level of education throughout Indiana.

Beyond our relationship with the authorizer, we have not yet begun our community outreach process. In our initial examination of the area, we have found Indianapolis to be a progressive, informed, and tight knit community, and we plan to use the familiarity of Indianapolis residents as a means of disseminating information about BASIS across the city. We will meet with established school leaders in an effort to explain our program and to build support for academic innovation in Indiana. We will also make every effort to attend PTA meetings, principals' coffees, Open Houses and other events. We have learned through experience that community support is essential to successfully opening charter schools. Our analysis of the Indianapolis community coupled with the tremendous demand for enrollment at our six existing campuses leaves us confident that we will generate strong support for our internationally benchmarked program.

4. Education Plan/School Design

BASIS Indianapolis will provide the same internationally benchmarked and challenging curriculum that is currently in place at the BASIS Schools in Arizona. This curriculum is designed around the philosophy

that any student can attain academic greatness if greatness is expected and comprehensive academic support is readily available. Beginning at the 5th grade level, the BASIS curriculum endeavors to teach substantially more than one year of content each academic year. In other words, 5th grade students at BASIS not only master the content required in the state's 5th grade standards, but they also master much of what a typical 6th grade student learns. By starting at a modest 5th grade level and requiring students to learn more than a year's worth of standards every year, we prepare our students to enter Honors and AP courses beginning in the 9th grade.

In many ways, the BASIS educational model reflects the power of compound interest; students learn more than grade level standards each year throughout Lower School, which ensures they are ready for advanced work in High School. In fact, the *raison d'être* of the BASIS Lower School is to prepare all students for high school work at the level of the world's best schools. Likewise, the philosophy of the BASIS high school program is to prepare students to enter college ready to be valuable members of their academic communities immediately upon matriculation. Many colleges lament the state of America's secondary education system because students arrive to campuses unprepared for high-level, independent work and thus require remediation just to get started in advanced courses. Taking high level courses in high school and passing difficult, internationally recognized standardized tests is an effective method for students to prepare for the rigors of college education.

BASIS's rigorous academic curriculum and strong support system ensure that all of our students have mastered the material they need to know to excel on a variety of academic assessments. We will use our own, internally created Pre-Comprehensive and Comprehensive exams, as well as externally created tests like the International General Certificate of Secondary Education (IGCSE) exams and Advanced Placement (AP) exams to ensure our students are all mastering essential academic material. These tests form the backbone of our curriculum, and they are used primarily as benchmarking tools. Our testing system allows us to check the efficacy of our academic program at every grade level, from 5th grade through 12th grade, thereby ensuring we are always accountable for what our students learn. Please see *Attachment 23: Portfolio Summary* for test results from our currently operating BASIS schools. These tremendous results, coupled with the media recognition several of our schools have received for being top ten academic programs in the country, is evidence of the strength of the BASIS program. We fully expect these strengths to translate well to an Indianapolis community looking for a world-class educational option.

5. Vision for Growth

BASIS Indianapolis will open in August 2012 and will serve grades 5 – 8 in the first year. Each year thereafter we will add a grade level, until the fifth year of operation when we will reach our goal of serving grades 5-12. In the first year of operation, we expect to have five 5th grade classes, five 6th grade classes, four 7th grade classes, and two 8th grade classes. Currently, our five year enrollment projection calls for 465 students in the first year of operation, 556 students in the second year, 604 students in the third year, 657 students in the fourth year, and 709 students in the fifth year.

We follow this same growth model at each of our replication schools. As we suggest in our Education Plan, we pride ourselves on the advanced nature of our curriculum. In order to ensure that all of our students are capable of achieving the lofty goals we set for them, we will modify our curriculum slightly in the first year of operation. We open the school serving grades 5th-8th to ensure that the students who attend BASIS Indianapolis during our inaugural year have an opportunity to succeed and to ensure that the curriculum can be modified to better meet the level of the incoming students while still giving the students sufficient time to meet the BASIS graduation requirements. This is beneficial for the students,

who are set up for success rather than failure, and for the school, insofar as we do not waiver from our mission.

BASIS School, Inc. is currently the charter holder for six open-enrollment, public charter schools in the state of Arizona: BASIS Chandler, BASIS Flagstaff, BASIS Oro Valley, BASIS Peoria, BASIS Scottsdale, and BASIS Tucson. At the time of this application, we plan to open our seventh school in Arizona, BASIS Phoenix, and our first affiliated school in Washington, DC, BASIS Washington, DC. Both schools are scheduled to open in fall 2012. We also have charter applications out to the Charter School Institute to open a school in Fort Collins, Colorado, and to the Arizona State Public Charter School Board to open a school in the Tucson Foothills. As we continue our replication efforts, we will continuously evaluate potential sites and plan accordingly.

6. Leadership and Governance

Consistent with the operations of existing BASIS schools across Arizona, BASIS School, Inc. (BSI) will be the charter holder for BASIS Indianapolis. Currently, BASIS School, Inc. contracts with BASIS Educational Group (BEG) to provide all financial and operational management, including site management, for BASIS Chandler, BASIS Flagstaff, BASIS Oro Valley, BASIS Peoria, BASIS Scottsdale, and BASIS Tucson. BASIS School, Inc. has been a charter holder since 1998, and its finances have been and continue to be prudently managed, as BSI has never had a material finding on any of its financial audits.

The Board of Directors of BASIS School, Inc. is the Corporate Board responsible for policy, and ultimately responsible for operations of the corporation, including the charter schools. BASIS School Governing Boards currently consist of the BASIS Chandler School Board, the BASIS Flagstaff School Board, the BASIS Oro Valley School Board, the BASIS Peoria School Board, the BASIS Scottsdale School Board, and the BASIS Tucson School Board. These bodies are the governing boards for the schools and are responsible for the policy decisions of the individual charter schools. The BASIS Indianapolis School Board will be formed following the approval of our charter and will operate similarly to existing BASIS School Boards.

This direct connection to a strong charter school management organization will provide BASIS Indianapolis with the kind of stability and surety of vision that the school needs to be successful from the start. BASIS schools have been in continuous operation for over 13 years, and BASIS Indianapolis will benefit from the organization's long history of success.

Founding Group and School Leadership

Founding Group Membership

1. Key Members of the Founding Group

Currently there are seven members of the BASIS School, Inc. Board of Directors: Craig Barrett, Chairman; Don Budinger, Secretary; John Morton, Treasurer; Terry Sarvas; Clint Bolick; Steve Twist; and Michael Block. In the spirit of the organization's mission to affect significant change in American secondary education, the Board has led the effort to expand BASIS into Indiana. Acting in the best interest of the school, the Board authorized the BSI New Schools Development Department to represent the school in our effort to open BASIS Indianapolis. The BSI New School Development team consists of the following people: Nick Fleege, Director; Sheri Pierce, New Schools Curriculum Director; Paul Morrissey, Manager; and Ciera Sarager, Administrative Assistant. Together, the Board and the BSI New Schools Development Department make up the Founding Group for BASIS Indianapolis. Please see *Attachment 1: Founding Group Resumes and Bios* for bios and resumes for all founding members.

As the Board members' biographies and CVs suggest, our Board is experienced in a wide range of fields necessary for the successful opening and operation of charter schools. Craig Barrett, the Chairman of the Board, is the former CEO of Intel Corporation. An avid supporter of BASIS for many years, he assumed the position of Chairman on July 1, 2011 and has set an aggressive growth plan in his time on the Board. Dr. Barrett is a staunch supporter of education reform and a staple in the on-going national dialog on education and education reform, relentlessly pushing for reform measures to help the United States improve its results in comparison to our international peers.

Along with Dr. Barrett, the BSI Board of Directors includes several other important figures in education and industry. The BSI Board is a collection of education supporters and experts in their fields; the direction and vision of the school has grown organically from the members' various backgrounds and their shared vision for educational excellence in America.

The BSI New Schools Development Department brings with it over sixteen years of combined experience in the BASIS schools classrooms and administration. Former teachers and high level administrators, the team uses its wealth of institutional knowledge to steer the development process for all new BASIS schools. New Schools Development duties for BASIS Indianapolis include everything from finding a suitable location and working with contractors on the design of the building, to hiring the faculty and staff and modifying the standard BASIS curriculum to better fit the needs of the expected student body in the school's first years.

The combined efforts of the Board and the New Schools Development Department successfully opened three new BASIS charter schools in 2011. We have also earned charters in Washington, DC and Phoenix, AZ, to begin in August 2012. The founding team has a wealth of experience in designing curricula, putting in place strong school leadership, operating a charter school budget, managing performance, engaging with parents and the community, and managing school facilities.

2. Consultants

As referenced above, the BSI Board of Directors consults with the BSI New Schools Development Department on all matters relating to the opening of BASIS Indianapolis. The Board also enjoys a strong working relationship with BASIS Educational Group (BEG), an Education Service Provider (ESP). BEG currently provides statistical analysis services to the Board in reference to BASIS Indianapolis, and they provide educational services to all six of BASIS's operational campuses. BEG will propose a services contract to provide ESP services to BASIS Indianapolis upon implementation of the school's charter. An example of a proposed services agreement can be found in *Attachment 14: Education Service Provider (ESP) Documentation*.

Background

1. Bringing the Founding Group Together

The driving force behind the creation of BASIS Indianapolis is the sentiment prevalent among the founding committee members that the value of American secondary education needs to be raised significantly. The Committee is a group of individuals who are committed to highly rigorous K-12 education and who have joined together to bring a nationally-ranked, open-enrollment school to Indiana.

As longtime advocates for improving education, the committee has the benefit of its members' expertise in Lower School and Upper School instruction, curriculum development, comparative global education standards, standards development, assessment and data analysis, financial and business

management, non-profit organizational management, marketing, college admissions procedures and standards, law, and fundraising.

2. The Founding Group and the Indianapolis Community

The BASIS Indianapolis founding group does not have any direct ties to the local Indianapolis community. We do, however, have strong ties to the education reform movement, and we believe the tenets of this movement ring true everywhere; American students need educational choice and the bar needs to be raised in the classroom and in all of our communities if our children want to compete in the global marketplace. Our ties to the Indianapolis area are then the same ties we have to all cities in America: we believe there is the possibility to provide a better, world-class education for the students of Indianapolis, and we pledge to provide that service to the community.

As we have stated, the founding group has a wealth of experience in all matters related to the successful opening and operation of highly performing charter schools. The wide-ranging skill sets of the Board and the BSI New Schools Development Department have benefited the organization greatly throughout the application and startup process for every replicated BASIS school. Please see *Attachment 1: Founding Group Resumes and Bios* for information about specific founding group members and their individual competencies in opening new charter schools.

School Leadership and Leadership Team

Once we are approved for a charter, BASIS will hire a full-time Head of School to begin reaching out in earnest to potential parents and students in the area while simultaneously training with existing BASIS staff members. We expect to hire for this position in January 2012. The Head of School will be the BASIS representative in the Indianapolis community, and as such will give a number of community presentations and will meet with community leaders in order to further spread the word about BASIS. The Head of School will also spearhead the student and parent recruitment process during this time. This is the protocol we have followed in opening every BASIS campus. The previous section detailing our Board and New Schools Development team personnel summarizes our experience opening charter schools. The performance of our schools in Arizona is evidence of the ability of these two groups to work together to lead operations on a new charter school, identify and hire good candidates for leadership positions, and to train and smoothly transition operations to school leaders.

The BSI New Schools Development Department is tasked with identifying qualified candidates for the Head of School. The search will take place nationally, but we will also look closely at candidates from the Indianapolis area. The Head of School is responsible for overseeing the day-to-day operations and overall education process in the Lower and Upper Schools. The Head of School directly supervises all BASIS teachers and his/her Administrative and Program Assistants. BASIS teachers contact the Head of School to discuss any issues directly related to personnel, including, but not limited to, contractual obligations, the school mission and overall curricular objectives, evaluation procedures, and professional conflicts. Therefore, when looking for qualified candidates, we will seek someone with a strong management background, capable of leading a team of innovative educators and maintaining consistency in the educational program and day-to-day operations. Although it is a benefit to any application, previous experience in education is not required of our Head of School.

Once the New Schools Development team has identified several viable candidates, they will be put through a series of telephone and in-person interviews with various members of the BASIS organization. At the end of the interview process, the team will make their recommendation to the Board, who will

then have the opportunity to interview the chosen candidate. Our hiring process is always thorough, especially when we are identifying the leaders of our schools.

Immediately upon being hired, the newly hired Head of School will work closely with the New Schools Development team to lead development of the school. In the spring, we will hire other key management personnel who will then also be trained by the New Schools Development team just and will eventually take over most of the day-to-day development operations. These positions include the Head of Operations and the School Director. The following section clearly explains the responsibilities of the key management personnel at BASIS Indianapolis. Please note that in the first year we will employ one School Director. When the school expands to include more upper level grades, a second School Director will be hired and trained, which will give us an Upper School Director and a Lower School Director.

Responsibilities of Key Leadership Personnel

Head of School

The Head of School is responsible for overseeing the day-to-day operations and overall education process in the Lower and Upper Schools. The Head of School directly supervises all BASIS teachers and his/her Administrative and Program Assistants. BASIS teachers contact the Head of School to discuss any issues directly related to personnel, including, but not limited to, contractual obligations, the school mission and overall curricular objectives, evaluation procedures, and professional conflicts. Duties include, but are not limited to:

- Setting the School Calendar, including vacation dates and testing dates;
- Reporting student demographic information, attendance reports, grade reports, and other student data required under State law;
- Planning and executing a one week BASIS training camp for on-site employees;
- Monitoring and managing the quality of education in the classroom throughout the school year;
- Overseeing the coordination of standardized exams as required by the state;
- Overseeing the coordination of Pre Comprehensive and Comprehensive exams;
- Overseeing the coordination and execution of parent and student surveys;
- Overseeing the coordination and execution of the BASIS teacher-to-teacher peer review process;
- Recruiting and hiring teachers and office staff as needed;
- Communicating with parents regarding school calendar and events, student issues, and other concerns that arise;
- Managing employee issues as they arise; and
- Ensuring the schools are in compliance with all state and federal regulations and requirements.

Lower and Upper School Directors

The Lower and Upper School Directors are responsible for educational services delivered to students. The Lower and Upper School Directors at each school site also oversee the office staff and Student Service Providers (e.g., Student Support Specialist, Student Counselor, College Counselor) and are responsible for student services, directing and overseeing the Student Support Programs, meeting with students and teachers regarding classroom discipline issues, and addressing student achievement issues.

A BASIS teacher's instructional process and communication with students and parents is monitored and supported, depending on which grade levels he or she teaches, by the Lower and/or Upper School Director. BASIS teachers contact the Lower and Upper School Directors to discuss any issues related to

the delivery and support of educational services, including, but not limited to, parent-teacher communication, classroom scheduling, classroom supplies, and pedagogical strategies.

Head of Operations

The Head of Operations is responsible for the financial operations of the school, maintenance and development of the school premises, IT services delivery, IT equipment operation, and operations of auxiliary programs (e.g., Late Bird, extracurricular programs).

The Head of Operations monitors expenses, revenues, liabilities, and receivables that are predetermined by the size of the school (number of students, teachers, and number of courses taught), size and quality of the physical plant, and the school environment. It is the responsibility of the Head of Operations to maintain all the assets and equipment located on the school's premises. The Head of Operations prepares all contracts related to maintenance providers. The Head of Operations is responsible for monitoring the quality and quantity of delivered services and recommends all regular invoices for payment when those are accurate.

Lower School Assistant Director/Student Services Coordinator

- Provides administrative support to the Lower School Director as needed;
- Monitors individual student progress;
- Monitors individual student discipline issues; and
- Manages the Student Support program which provides support to struggling students or students who may benefit from early intervention techniques.

Certified Special Education Provider

- Provides Special Education programs to the school and Special Education instruction to special student populations;
- Maintains compliance with state and federal guidelines (e.g., FERPA) and ensures all files are correct and up to date;
- Manages the Special Education program so the students get the most they possibly can out of it; and
- Initiates the search for organizations through which BASIS may contract out some of our Special Education needs.

Upper School Assistant Director/College Counselor

- Provides administrative support to the Upper School Director as needed;
- Monitors individual student progress;
- Coordinates school visits from college admissions counselors;
- Educates all BASIS students about their options in higher education;
- Learns about each individual student and his or her particular interests and needs;
- Guides students toward the post-secondary option that is the best fit for that student;
- Fosters a college counseling program that is all-inclusive, regardless of a student's academic record or year in school;
- Monitors, mentors, and encourages students in the completion of college applications; and
- Collects information regarding college admissions and reports data to the Data Director.

Education Plan

Curriculum at a Glance

- Students must pass classes and end-of-year comprehensive exams to be promoted
- College Preparatory education starting in the Lower School

- Comprehensive benchmarking system beginning in 6th grade including IGCSE and AP exams in Upper School
- Taught at international standards, while ensuring students cover standards at or (often) before grade level
- BASIS Tucson has consistently been ranked among *Newsweek*, *US News & World Report*, *The Washington Post* and *BusinessWeek*'s top-ranked academic programs

High School Graduation Requirements

As a college preparatory school BASIS Indianapolis will take great care to meet all of the Indiana high school graduation requirements. We have maintained a 100% high school graduation rate at all of our existing schools, and we expect that level of excellence to continue at BASIS Indianapolis. Aligning our program to the Indiana high school graduation requirements, and ensuring all of our students are on target to meet those requirements, is essential to maintaining our perfect college matriculation record.

General Credit Policies:

Students are awarded 1/3 credit each trimester provided they do not accrue excessive absences.

Students receive full credit if they fulfill all of the following requirements:

- They earn a Cumulative Course Grade higher than F, or they fulfill the conditions to advance from conditional promotion status to promotion status;
- They earn a D- or higher on their Final Exam, or score a 2 or higher on the BASIS Alternative AP Exam; and
- They do not accrue excessive absences.

Students who fail to fulfill any of the above conditions do not receive any credit.

Grade Point Averages (GPA) at BASIS are calculated on the 4.0 scale. BASIS does not at any time weight GPA for Honors or AP courses. This was determined after close consultation with college admissions personnel, who generally expressed a desire to have un-weighted GPA from high schools.

High school transcripts include the final grades the student earns for each course s/he takes at BASIS and the cumulative GPA.

Each BASIS school offers different electives, which often depend upon the various academic interests and backgrounds of their teachers; however, they always offer two distinct kinds of electives: Academic Electives and General Electives. Academic Electives include classes like AP Micro- and Macroeconomics, AP Psychology, AP Computer Science, Advanced Topics in History, and Advanced Music Theory. General Electives include classes like PE, 2D Art Studio, 3D Art Studio, Band, and Drama.

In order to graduate from BASIS, students must reach our minimum exit standards, which are represented on the course sequences found in *Attachment 4: Course Scope and Sequence*. BASIS Indianapolis makes it very clear in the school's mission and vision that the curriculum is advanced; therefore, we require our students to achieve much more than the state or common core standards. Our Course Sequences show very clearly what we expect from the students at each grade level throughout the academic program. Included in their exit standards is the mandate that all students must

take at least 8 AP courses and at least 6 AP exams. All students must also reach at least AP Calculus AB before graduation.

These graduation requirements are more rigorous than any state's requirements and ensure that our students are among the best prepared, most college-ready students in the world.

Students deemed to be at risk of dropping out of high school or not meeting the proposed graduation standards will be serviced through the BASIS Student Support Program. This program gives students one-on-one guidance, tutoring, and support in an effort to help every student reach his or her potential. The program has been successful in helping BASIS schools maintain a 100% graduation rate throughout our history. Please see the subsection entitled "Special Populations and At-Risk Students" for a complete overview of the BASIS Student Support Program.

School Calendar and Schedule

Daily Schedule

The specific hours of the BASIS Indianapolis School Day schedule will be determined based on feedback from prospective parents and students.

School Day Organization

The School Day is divided into two parts: the Instructional Program and the Extracurricular Program. The Extracurricular Program occasionally coincides with elective periods during the school day, but extracurricular activities may also be organized before or after the school day ends and during out-of-school days (weekends, holidays, etc.).

Instructional Program

In the Lower School, the Instructional program consists of seven (7) core periods, each 50 minutes long, and a lunch period.

In the Upper School, the Instructional Program consists of one (1) morning elective period, six (6) core course periods, a lunch period, and one (1) afternoon elective period.

Upper School Elective Periods

The morning elective period (50 minutes) occurs every day before the 1st core course period. The afternoon elective period (50 minutes) occurs every day after the 6th core course period.

Upper School and Lower School Lunch

The schools operated by BASIS School, Inc. do not offer any food services. Students must bring their lunches each day. 9th through 12th grade students may leave campus for lunch *if* a parent/guardian provides written permission to the School Office.

Supplemental Programming

Extracurricular Program

The Extracurricular Program supports the Instructional Program. It consists of the Early Bird and Late Bird Programs, which take place before and after the Instructional Program respectively, and any sports or other extra-curricular activities students participate in through the school.

Early Bird Program

The Early Bird Program serves parents/guardians who need to drop off their students early. A staff member supervises students in a designated area at the school as they study and prepare for the academic day.

Late Bird Program

The Late Bird Program serves parents/guardians who cannot pick up their students immediately after school. Participants are supervised by a staff member in a designated area of the school as they start on homework or do other school-related work.

Extracurricular Activities

Although our more academic offerings like quiz bowls and science clubs are often the most popular extra-curricular programs at BASIS schools, we also have a very strong sports and exercise program in which many students choose to take part. Traditional sports like soccer and basketball are popular at all levels, but there are also alternative exercise options including fencing, rugby, yoga, martial arts, and triathlon training. Many students also use their afternoons to participate in a number of community service projects, ranging from volunteering at the local boys' or girls' club to entertaining senior citizens in local nursing homes.

The following is a partial list of the extracurricular activities at BASIS schools:

Band	National Junior Honor Society
Chess Club	Philosophy Club
Chinese Club	Piano
Comedy Club	POWER
Drama	Recycling/Environmental Services Community Services Club
Enviroclub	Robo-Rocketry
Filmmaking Club	Science Bowl
Flag Football	Spanish Club
French Club	Strings
Guitar	Tennis
Journalism	Theatre
Magazine of Literature and Arts	Volleyball
National Honor Society	Yearbook

In order to direct the largest amount of funding possible into the classrooms, extracurricular programs will generally carry a participation fee; however, there will be several free options, and BASIS will

provide a financial aid program for any low income families whose students wish to participate in the pay-for-play programs. Applications for the financial aid program will be available at the front office of the school. We do not plan to offer any summer school.

In order to address students' mental, emotional, and social development, we will employ a full-time Student Support Coordinator. This person will be responsible for working with students on their study habits as well as their development outside of the classroom. Please see the next subsection of this application, entitled *Special Populations and At-Risk Students*, for more information about our Student Support Program.

School Culture

The BASIS school culture makes high academic achievement and intellectual engagement the norm and allows students to realize and fulfill their own great academic potential.

Special Populations and At-Risk Students

Special Education

BASIS uses certified Special Education providers at all campuses to ensure special student populations get the services they require and to ensure that the school follows all state and federal laws regarding Special Education procedures.

During the registration process, parents are asked to inform the school if their child receives services from a special education program. With this information, the school is able to request the records for the child and provide the services seamlessly upon a child's enrollment. If at any time a teacher or parent alerts the school to potential exceptional needs, the School Director works with the Special Education Teacher and Student Support person to create a study team to meet and discuss the child's performance. Following the conclusion of the Child Study team meeting, one of the following outcomes may occur:

- No further action is required because the teachers feel that the characteristic is typical of students in that grade level. The teachers provide individual direction in the classroom on their own to help the child.
- Recommendation to the School Director to seek an evaluation by the School Psychologist, Speech Therapist or Special Education teacher. The School Director contacts the parent and coordinates testing.
- Recommendation to the School Director that the student be placed on the Student Support program.

If a student has an Individual Education Plan (IEP) or 504 plan, the student is provided differentiated instruction by either the regular classroom teacher or a combination of the classroom teacher and special education teacher. If the student is to receive speech or occupational therapy services, the services are schedule so that there is minimal loss of instructional time in the core subjects. The child's progress is monitored closely and a summary of the student's progress toward each of the measureable goals is completed by the therapist or special education teacher. Since the BASIS Progress Grade Reports provide very detailed statistics on a student's performance, a School Director, teacher, or parent can quickly assess the student's progress toward the defined measureable goals and can ask that the IEP team meet again to review the accommodations, modifications, or recommendations in the IEP.

BASIS complies with all rules and provisions related to working with students with special needs. Specifically detailing the curriculum, modification, and accommodations before assessing the needs of each student is in direct violation of IDEA and is against the spirit of an Individual Education Plan. We will hire one or more case managers depending on the number of students who enroll with IEPs and 504s. Required services are administered within the regular education classroom (the LRE) whenever possible. All required services that cannot be provided in-house are contracted out to special education service providers.

English Language Learners (ELL)

During the registration process, parents are asked to indicate their child's primary language or language most used. If the primary language is something other than English, the student's file is given to the Student Support person who communicates with the parent to have their child tested for English Language Proficiency using the assessment recommended by the state of Indiana.

In the case of English Language Learners, we anticipate using Content-Based English as a Second Language Programs to help students achieve language proficiency. We will hire an ESL-certified teacher if the number of students needing this service is relatively high. If a relatively small number of students need ELL service, a BASIS teacher will undergo ESL certification. We will contract out any services that cannot be provided in-house.

We cannot fully plan for our ESL student population until we actually see our students enroll in the school and get an accurate count of those requiring ESL services and what kind of services they require. Many English teachers are certified ESL teachers as well, and we have found this very useful in helping us serve our ESL population at operational BASIS schools.

Our program is carefully calibrated to ensure every student, at-risk or not, is able to learn at a world class level. We believe that one of the failures of the American education system is in the insistence on setting the bar too low for our students, especially for at-risk and underserved students. We expect the same results from all of our students, no matter what their background, and our comprehensive student support system ensures that all students have the same opportunity to thrive in our program, so long as they take advantage of the myriad opportunities for help that we make available to them. Instead of modifying our standards based on a student's educational or socioeconomic background, we take it upon ourselves to work with that student to ensure he or she is able to reach our standards every step of the way. This system of student support has proven very successful in our operational schools, and it helps all of our students build the self-confidence they need to thrive in the world beyond secondary school.

Student Discipline

Student Support Program

The student support program at BASIS is meaningful, comprehensive and timely, and designed to proactively identify and assist all student educational, emotional, and motivational needs. The program begins before students are enrolled in the school and continues throughout their time at BASIS.

The school's academic rigor and high expectations regarding student learning demand an environment that is free from disruption and fosters mutual respect among students and staff members. To accomplish this, the school has developed clear rules concerning student behavior. These rules are strictly enforced without discrimination on the basis of gender, religious belief, ethnic background, nationality, or disability. During the first week of school, BASIS Indianapolis will send home a copy of its Parent-Student Handbook with every enrolled student, which will clearly outline the discipline expectations for the year.

The disciplinary policy is enforced each school day, for all students, whenever they are on school premises. This policy is also enforced anywhere organized school events take place.

The school reserves the right to discipline students for behavior that occurs off school premises, behavior that occurs off campus at school •organized events, or behavior that takes place before the student is enrolled. In such cases the school, in its sole discretion, may schedule a hearing to determine whether the student will be allowed to enter or continue at BASIS. The school may honor the disciplinary consequences imposed while the student attended another school.

The BASIS Disciplinary philosophy is based on five key principles of behavior each member of the community agrees to follow. These principles are based on respect for each individual's right to be educated in a safe environment and the strong belief that academic greatness demands social greatness as well. The following is the Code of Conduct BASIS developed with these factors in mind:

Code of Conduct: 5 Key Principles of Behavior

1. Promote respect for fellow students and staff members: All students are expected and required to behave in a respectful manner toward themselves, other students, staff, and property. In particular, the school adheres to a zero tolerance policy toward any language or behavior that intimidates, belittles, or causes physical or emotional injury to others.
2. Promote respect for all individuals: BASIS is fortunate to have a very diverse student population from a variety of ethnic, cultural, and religious backgrounds. The school strives to provide an environment where all students feel comfortable and thrive. For this reason, certain behaviors are strictly prohibited on school premises. These include, but are not limited to, the use of derogatory statements in reference to race, sexuality, ethnicity, culture, or religious background.
3. Promote individual responsibility and responsibility for community: Each student will be held individually responsible for his/her own language and actions. This responsibility extends to any knowledge of misconduct by other students. Staff members will not tolerate bullying or cheating and neither should students. If students are aware of misconduct by another student, it is their responsibility to inform a staff member. Withholding such information is considered a Discipline Violation. Staff members make every effort to ensure the confidentiality of any student who reports misconduct by a classmate, and they invoke appropriate sanctions against any student who responds to another in a retaliatory manner.
4. Provide a safe environment for students: It is the responsibility of all students to immediately inform a staff member about any possible threat to student or staff safety, health, or property they may observe or of which they may have knowledge. Withholding such information is considered a Discipline Violation.
5. Provide a disruption-free educational environment. No BASIS student will be allowed to disrupt another student's learning. Classroom disruptions of any kind may be considered Discipline Violations. Please see *Attachment 8: Student Discipline Policy* for the complete rules and regulations that BASIS Indianapolis will adopt regarding student behavior.

Reporting Mechanism

BASIS anticipates using PowerSchool as its main student information system (SIS). PowerSchool provides —

the necessary interface to communicate and synchronize data held in the state of Indiana’s reporting system. We will use PowerSchool to appropriately communicate student assessment and progress to parents, the authorizer and the broader community through the required reporting tool. PowerSchool is used in schools across the state and is able to provide the data necessary for SPED, ELL, and other similar programs. Features include:

1. PowerTeacher
2. ReportWorks
3. Student Record and Transcript Exchange
4. Assessment Analysis and Response to Intervention
5. PowerScheduler
6. PushButton State Reporting

PowerTeacher provides our teachers a mechanism to update student grades with few data entry lags. ReportWorks can be utilized for both internal and external analysis purposes. Internally, ReportWorks provides a mechanism to create custom reports to identify students who may need extra help to achieve their academic goals. Externally, ReportWorks provides a user-friendly interface to create reports through data-mining queries for our websites and publications. It is also used to provide necessary information on an ad hoc basis to the authorizer and the IDE.

Student Record and Transcript Exchange is utilized to exchange accurate student grade information with other institutions. Assessment Analysis and Response to Intervention provide a means by which our staff can segregate data based on categories such as gender, ethnicity, special education and other custom metrics set by the state. Teachers are provided access to the assessment analyses for planning purposes. The data is used in conjunction with the audit process and the board exam system to give the teachers data and results that reflect not only whether they are teaching what they are supposed to teach, but also that they are getting the results they need for each student to be successful. The PowerScheduler utility is used at the beginning of the school year to schedule teachers, students and classes. And finally, the PushButton State Reporting field is used to comply with all Federal and State requirements.

During the implementation phase of the SIS, the BASIS Management Information Systems Director and IT Director ensure the necessary technological infrastructure is present at the BASIS Indianapolis school site. The Management Information Systems Director also ensures that our staff is properly trained to utilize all the important facets of the SIS system.

Plan for Taking Corrective Action Should the School Fall Below Achievement Goals

As the chief on-site administration officer, it is the Head of School’s responsibility to ensure the school is reaching its achievement goals. Should the school fall below these achievement goals, the BASIS Indianapolis Board of Directors will meet to determine sanctions for the Head of School. This meeting will occur within a reasonable time period after the last day of school of the year in question. Sanctions for the Head of School may include, but are not limited to, a warning, a written warning, a period of probation, or dismissal from the position. The Head of School will also meet with the BASIS Curriculum Director to determine corrective measures well in advance of the next school year.

Please see the subsection entitled *Professional Development* for information about how BASIS Indianapolis will remediate with teachers who fall below performance standards in the classroom. Please see the subsection entitled *Special Populations and At-Risk Students* for information about how BASIS Indianapolis will remediate with students who are in danger of falling below performance standards.

Parent and Community Involvement

Building Family-School Partnerships

Traditionally, public schools serve a small community of people who live in relatively close geographic proximity to one another. The natural support systems that develop in the neighborhoods close to a school help guide the students through their school years. Because BASIS students will come from a wide geographic range, they will not naturally have the neighborhood support they might come to expect of their local school. Therefore, the Parent Support Organization (BASIS Boosters) will be essential in helping BASIS build that same sense of community within its walls. The BASIS Indianapolis Parent Booster organization will help raise money for school activities and will be involved in the social programs offered at BASIS, tailoring the programs to the needs and interests of the students and the community. In the past, existing BASIS Boosters Organizations have secured guest speakers to speak with students about various social issues. They often organize school dances or other school-wide activities for students, parents, teachers, and staff. At the beginning of the school year, BASIS parents will be instrumental in organizing transportation, creating opportunities for new parents to meet each other, and building a sense of family and community. This level of involvement builds strong ties between BASIS families and the school and is a critical part of the foundation for student success.

Parental Involvement before Opening

Prior to the child's enrollment, parents participate in an average of two informational sessions each. These will be led by the BASIS Indianapolis Head of School and select members of the BASIS new school development staff. These sessions educate parents on the specific expectations BASIS has for students and parents, and they allow for a discussion with teachers in order to learn helpful strategies for transitioning into the BASIS program. The purpose is to involve the parents in a meaningful partnership with BASIS Indianapolis and to train them on how to best support their child's education. After enrollment, Parent-Teacher Meetings and Open Houses continue to develop the relationship between the parents and the school by allowing parents the opportunity to speak directly to the teachers about their children's progress.

We will make every effort to ensure information about BASIS is spread across all Indianapolis neighborhoods and across the state generally, and we will use community partners to make sure those families who might not normally be privy to such information, and families and students considered at risk, are well aware of our presence in the community. We believe strongly that every child deserves the kind of education BASIS offers, and we will actively work to make sure as many children as possible are informed about us.

Parental Involvement after Opening

After a child has enrolled in school, we actively inform students and parents about school business. School calendars, Upcoming Event calendars, teacher biographies, and examples of student achievements are posted on the school website. These postings offer the parents a chance to know what is happening in the school community and encourage them to get involved.

Parent Communication

Students are required to keep an assignment notebook which allows parents to check that homework assignments are completed daily, weekly, and monthly. Students also receive formal Grade Reports at designated times throughout the year, offering parents a formal assessment of their children's progress. At the end of each grading period, parents are invited to campus for awards ceremonies to celebrate student achievement. In between formal assessments, Parent-Teacher Meetings and Open Houses allow parents to communicate directly with teachers, and Parent-Director meetings allow the parents to speak directly to administration. BASIS is committed to communicating clearly and effectively with parents.

Community Resources

While we agree that community partnerships are beneficial to the operation of new charter schools, we have found it essential to ensure our new campuses are self-sustainable and operational before relying on the commitments of others. We plan to reach out to community organizations once we are awarded a charter, but our focus at this point is to ensure that the school is able to operate on its own volition. Please see *Attachment 18: Evidence of Support from Community Partners* for an example of the kind of community support BASIS Indianapolis has garnered.

Replication Capacity

BASIS School, Inc. currently operates six schools in Arizona: BASIS Chandler, BASIS Flagstaff, BASIS Oro Valley, BASIS Peoria, BASIS Scottsdale, and BASIS Tucson.

BASIS Phoenix and a new BASIS-affiliated school, BASIS Washington, DC, will open in fall 2012. We are also currently applying for charters with the Charter School Institute in the state of Colorado and with the Arizona Board for Charter Schools in Arizona. BASIS School, Inc. has replicated four times in the last two years, so we are quite comfortable with the process. BASIS Indianapolis will follow the same replication schedule as all of our previously opened schools. Please see *Attachment 19: Start-Up Plan* for more information about specific tasks and timelines necessary for opening BASIS Indianapolis.

Portfolio Review and Performance Record

Please see *Attachment 23: Portfolio Summary* for information on our currently operating schools in Arizona. Included in this attachment are results from our three mature campuses in Arizona on the following standardized tests: the state mandated Arizona Instrument for Measuring Standards (AIMS) exams, International General Certificate of Secondary Education (IGCSE) exams, and Advanced Placement (AP) exams. By all of these measures, BASIS students are excelling in comparison to their peers in the state, the country, and around the world. (NOTE: Since the BASIS campuses in Chandler, Flagstaff, and Peoria opened in August 2011, they do not have any standardized data to provide.)

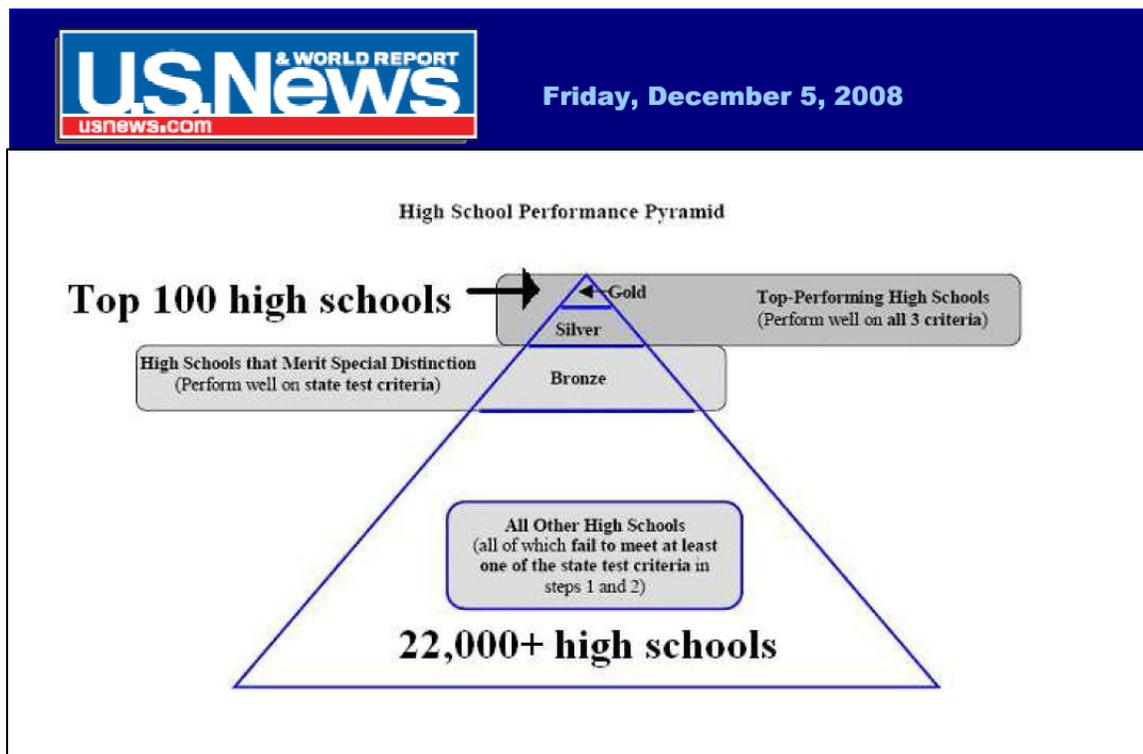
From the data provided in *Attachment 23*, it is clear that BASIS schools perform at an internationally competitive level. BASIS Tucson and BASIS Scottsdale have been incredibly successful in raising the bar for what constitutes a “good public high school.” BASIS Tucson’s top national ranking in *Newsweek’s* and *US News & World Report’s* lists of America’s Best High Schools has brought a school in Tucson, AZ – an area with limited reach in the national media market – to the forefront of the national debate about education reform. Not only did the rankings prompt a visit from documentary filmmaker, Robert Compton, who later produced a film about the schools entitled “Two Million Minutes: The 21st Century Solution,” they also launched BASIS into the national media spotlight, provoking visits from and news stories by the *Economist*, the *Washington Post*, *CNN Tonight*, *Education Week*, *NPR*, *Meet the Press*, *eSchool News*, *World Magazine*, the *Russian American Journal*, and *Telemundo* in addition to coverage by local and state media outlets.

The increase in national attention did not come without merit. Founded in 1998, BASIS Tucson is BASIS Schools’ flagship campus. Its rigorous curriculum, student and teacher accountability mechanisms, knowledgeable and effective teachers, and competent managers has resulted in outstanding academic achievement results which lead to the school’s #1 ranking in *Newsweek’s* list of America’s Best High Schools just ten years after the school’s founding. In fact, BASIS Tucson has ranked in *Newsweek’s* top ten

list of America's Best High Schools for six years running and *US News & World Report's* top 20 list of Best High Schools since the ranking's inception, earning the #9 spot in 2010. In 2011, the *Washington Post* rated BASIS Tucson the 4th best academic program in the country and *Us News and World Report* named it 2nd in the nation in their "Best High School for Math and Science" ranking. In 2009, *BusinessWeek* named BASIS Scottsdale the "Top Arizona School for Overall Academic Performance."

Along with these accolades and news stories came an explanation of the BASIS philosophy. Perhaps *CNN* reporter, Casey Wian, put it best when he described BASIS as "A charter school with a modest goal: revolutionizing the American education system." The news segments generally focused on BASIS's rigorous curriculum, which seeks to prepare all students, regardless of race, gender or family income, to compete with their international peers in top performing educational systems around the world, teachers who are knowledgeable in their discipline and teacher and student accountability mechanisms implemented through external benchmarking mechanisms (i.e. Board Examination Systems). The segments generated interest from educators, politicians, and parents across the country, many of whom have visited the BASIS schools in recent years.

To illustrate the great success of BASIS relative to schools across the country, we have included the picture below, which illustrates the ranking pyramid for all 22,000+ high schools eligible for inclusion in the *US News* ranking. The top 100 high schools, considered "Gold Medal Schools," were ranked by number. With a consistent top ranking, BASIS Tucson has demonstrated that, academically, it is among the top one half of one percent of public high schools in the United States.



BASIS Tucson was selected as one of America’s eight most noteworthy charter schools by the US Department of Education’s Office of Innovation and Improvement in their first issue of “Successful Charter Schools” in June, 2004, only six years after its founding. Of the 8 charters in the report then Secretary of Education Paige said in the preface “these schools were chosen after an exhaustive national search, they were selected primarily because they have demonstrated success over time in boosting student achievement.”

The goals we set for our students are entirely attainable. Every year BASIS students prove that we can set the bar high in American secondary education and still see students succeed. The results our students achieve are world-class, but they are not impossible to attain. This year, 124 BASIS Scottsdale students took 390 AP exams. 94% of those 390 exams earned a passing score of 3 or higher. At BASIS Tucson the numbers are similar: 83% of the 449 AP exams taken there earned a score of 3 or higher. (Please see *Appendix C.1* for AP exam results for all three BASIS schools.) Both of these schools also maintained a near-perfect record in all subjects on the AIMS tests, and both schools ensured every graduate passed at least one AP exam during high school. BASIS Oro Valley, in its first year of operation, earned a pass rate on the AIMS test that exceeded 90%, and far exceeded the state average in every subject. (Please see *Appendix C.1* for AIMS results for all three BASIS schools.) The numbers tell the story: BASIS students are reaching and exceeding all of the goals we set for them.

As the data quoted above and in *Attachment 23* clearly shows, BASIS schools perform at a very high level. In fact, there is not a single BASIS school that could be reasonably considered to be underperforming. BASIS Oro Valley, which opened its doors in 2010, is the lowest performing school for which we have collected data. Even as the lowest performing school in the organization, BASIS Oro Valley students still outscored their peers at other, non-BASIS schools on the state-mandated AIMS exams last year:

BASIS Oro Valley AIMS Pass Rates, 2011

MATH		
GRADE	BASIS Oro Valley Pass Rate (%)	Arizona Pass Rate (%)
5	95	63
6	94	59
7	97	61
8	99	54
HS	94	60

READING		
GRADE	BASIS Oro Valley Pass Rate (%)	Arizona Pass Rate (%)
5	98	79
6	88	81
7	89	82
SCIENCE		
GRADE	BASIS Oro Valley Pass Rate (%)	Arizona Pass Rate (%)
8	96	78
HS	100	49

WRITING		
GRADE	BASIS Oro Valley Pass Rate (%)	Arizona Pass Rate (%)
5	90	55
6	91	56
7	97	53
HS	100	68

BASIS Oro Valley AIMS Exceeds Rates, 2011

MATH		
GRADE	BASIS Oro Valley Exceeds Rate (%)	Arizona Exceeds Rate (%)
5	59	21
6	69	27
7	71	24
8	70	19
HS	75	21

WRITING		
GRADE	BASIS Oro Valley Exceeds Rate (%)	Arizona Exceeds Rate (%)
5	39	5
6	35	7
7	37	6
HS	31	5

READING		
GRADE	BASIS Oro Valley Exceeds Rate (%)	Arizona Exceeds Rate (%)
5	17	10
6	22	9
7	33	12
8	35	8
HS	44	12

SCIENCE		
GRADE	BASIS Oro Valley Exceeds Rate (%)	Arizona Exceeds Rate (%)
8	82	39
HS	100	24

We do not have any contracts with charter schools that have been terminated by either the organization or the school. We also have not had any charter revocation, non-renewals, shortened or conditional renewals, or withdrawal non-openings. Finally, BASIS schools have not experienced any performance deficiencies or compliance violations that have led to formal authorizer intervention within any school year.

Summary

One of America’s most enduring traditions has been the practice of education as an equalizer. No matter a child’s economic background, geographic location, culture or ethnicity, a quality education along with hard work provides the opportunity to become successful in life. Freely available quality education breaks down the barriers of poverty and the self-fulfilling prophesy of low expectations by preparing students to compete in a global economy. This tradition is threatened, however, as long as our schools are not successful. The first step in reversing the downward trend American education now faces is to encourage innovation in schools. BASIS was founded to raise academic expectations, student achievement, and academic accountability. This model, proven successful in Arizona by all available measures, demonstrates that true academic innovation is possible and that educational excellence can be replicated to fit the diverse needs of students. We look forward to bringing our internationally benchmarked curriculum to Indiana and to the students of Indianapolis.

Attachment 2: Head of School/Principal Candidate Information

This attachment is not applicable to BASIS Indianapolis at this time, as we have not yet identified a candidate for Head of School. As we state in the application itself, we expect to hire a full-time Head of School shortly after we are awarded a charter. The BSI New Schools Development Department has already begun searching for candidates. Please see the application section entitled “School Leadership and Leadership Team” on page 6 for more information about our Head of School Hiring Process.

Attachment 3: School Administrator Information

This attachment is not applicable to BASIS Indianapolis at this time, as we have not yet identified candidates for school administrators. As we state in the application itself, we expect to hire a full-time Head of School shortly after we are awarded a charter, and we will hire a Head of Operations and School Director well before the start of school. The BSI New Schools Development Department has already begun searching for candidates to fill these positions. Please see the application section entitled “School Leadership and Leadership Team” on page 6 for more information about our school administrator hiring process.

Enrollment Policy

Enrollment at BASIS Indianapolis will follow the same procedures in place at all BASIS schools. There is an open enrollment period during which interested parties may submit a registration packet. When a parent/guardian submits a registration packet with the school, their child is placed in the pool of Pre-Registered students. If there are more students pre-registered than there are spaces available in the school, a lottery is performed. We anticipate holding the lottery for BASIS Indianapolis on March 15, 2012 for the first year, then no later than May 31st each year thereafter. Students with registration preferences will be registered before the lottery takes place. If a student's lottery number is selected, he/she is immediately registered.

If a student's registration packet is not selected in the lottery, he/she is placed on the Waiting List. Registration packets received after the open registration deadline will be placed at the end of the Waiting List. Waiting List positions for late submissions are based on the date of the packet's arrival.

If, upon the open registration deadline, the school receives fewer registration packets than there are spaces available, all students who turned in a registration packet by the deadline are registered and the Extended Registration period begins. Once all of the available spaces are filled during the Extended Registration period, the Waiting List opens and students are assigned positions according to the date they submit their registration packet.

Whenever a registration spot opens due to a registration withdrawal, the student whose name is first on the Waiting List receives a Registration Confirmation Form. The student's parent/guardians are then required to submit this form by the stated deadline. If they accept the position and return the Registration Confirmation Form, the student is immediately enrolled. If the parent/guardians decline the registration opportunity or miss the stated deadline, the vacant registration spot goes to the next student on the Waiting List.

Attachment 8: Student Discipline Policy

In order to accurately depict our Student Discipline policy at BASIS Fort Collins, we have included several key sections from the Parent-Student Handbook at an operational BASIS campus. Although the voice of the handbook is somewhat different than the voice of this application, we feel the immediacy of including the actual documents we use is essential to providing a thorough review of our policies.

The BASIS Disciplinary philosophy is based on five key principles of behavior each member of the community agrees to follow. These principles are based on respect for each individual's right to be educated in a safe environment and the strong belief that academic greatness demands social greatness as well. The following is the Code of Conduct BASIS developed with these factors in mind:

Code of Conduct: 5 Key Principles of Behavior

1. Promote respect for fellow students and staff members: All students are expected and required to behave in a respectful manner toward themselves, other students, staff, and property. In particular, the school adheres to a zero tolerance policy toward any language or behavior that intimidates, belittles, or causes physical or emotional injury to others.
2. Promote respect for all individuals: BASIS is fortunate to have a very diverse student population from a variety of ethnic, cultural, and religious backgrounds. The school strives to provide an environment where all students feel comfortable and thrive. For this reason, certain behaviors are strictly prohibited on school premises. These include, but are not limited to, the use of derogatory statements in reference to race, sexuality, ethnicity, culture, or religious background.
3. Promote individual responsibility and responsibility for community: Each student will be held individually responsible for his/her own language and actions. This responsibility extends to any knowledge of misconduct by other students. Staff members will not tolerate bullying or cheating and neither should students. If students are aware of misconduct by another student, it is their responsibility to inform a staff member. Withholding such information is considered a Discipline Violation. Staff members make every effort to ensure the confidentiality of any student who reports misconduct by a classmate, and they invoke appropriate sanctions against any student who responds to another in a retaliatory manner.
4. Provide a safe environment for students: It is the responsibility of all students to immediately inform a staff member about any possible threat to student or staff safety, health, or property they may observe or of which they may have knowledge. Withholding such information is considered a Discipline Violation.
5. Provide a disruption-free educational environment. No BASIS student will be allowed to disrupt another student's learning. Classroom disruptions of any kind may be considered Discipline Violations.

General Rules

- Compliance with all federal, state, and local laws;
- No possession of any kind of weapon or any item simulating a weapon;

- No possession, use, or attendance under the influence of tobacco products, drugs, unauthorized prescription medication, alcohol, or any other dangerous, illegal, or controlled substance;
- No physical aggression against or abuse of persons or property (including abuse of Communication Journal—e.g., no removing of entries or pages);
- No sexual advances, derogatory or suggestive comments about one’s own or another individual’s sexual orientation;
- No display of sexually suggestive objects or pictures;
- No public display of intimate affection (e.g., hugging, kissing, lap-sitting);
- No use of profanity or verbal abuse of any persons;
- No harassment or bullying;
- No gum chewing is permitted anywhere on school premises;
- No possession or unauthorized use of matches or lighters and explosive materials;
- Compliance with all written rules and procedures provided and/or posted throughout the school’s premises including the emergency procedures;
- Compliance with verbal directions of staff members;
- Arrival at class or at any required school activity on time and appropriately equipped;
- Attendance at all scheduled classes and all required school activities;
- Reporting immediately to school personnel another school community member’s actions and/or words believed to violate the school’s disciplinary policy;
- Students are permitted to sell products on school grounds ONLY as a part of the school program.

To ensure student safety and an environment conducive to learning, staff members are authorized to use reasonable physical force in self-defense, defense of others, and defense of property. Staff members are also authorized to use reasonable physical force in cases where, after repeated verbal warnings, a student refuses to obey instructions in accordance with the school’s Discipline Policy.

Classroom Rules

To enable students to master subject content, the classroom environment must be conducive to learning. Teachers will set standards for student behavior in their classrooms as well as consequences for violating those standards. Specific classroom rules have to be compatible with all school policies and procedures are communicated to students and parents/guardians via class syllabi during the first week of school. In all classrooms, students must adhere to the following general rules:

- No disruption of another student's education;
- No eating, drinking (other than water), or chewing anything, including gum;
- No passing notes;
- All electronic devices (including, but not limited to, games, radios, portable music players, cell phones, and pagers) must be switched off and out of sight during all academic, Extracurricular and auxiliary programs.

Dress Code Rules

The school dress code is designed to promote respect for each student as an individual capable of exercising discretion and making responsible choices for his/her attire. All students must wear clothing that is appropriate to an academic environment and that adheres to the following guidelines:

- No clothing may be worn that creates a distraction for other students (e.g., no exposed midriffs, abdomens, buttocks; no provocative necklines);
- No clothing may be worn that features offensive language, racial or ethnic statements, references to tobacco, drugs, alcohol or gangs, or wording/graphics that are suggestive of sexual or other inappropriate behavior;
- No clothing or footwear may be worn that may threaten the safety or health of the wearer or other students (e.g., no shoes with wheels in the soles, no excessively high platform shoes, etc.).

Staff members determine whether a student's attire complies with the school dress code and report any dress code violations to the School Director. Initial infractions may be dealt with by requiring the student to turn clothing inside out, requesting that a parent/guardian deliver suitable replacement clothing to the school, confiscating nonessential items such as hats, or other appropriate measures. Repeated dress code violations may be treated as a serious Discipline Violation.

Material Brought to School Rules

The school strongly discourages students from bringing any valuables to school. This includes, but is not limited to: jewelry, card games, electronic devices (game systems, radios, portable music players, mobile phones, etc.), or similar items. The school disclaims any liability for the loss, damage, or theft of such items. Use of any electronic device, including mobile phones, during academic, Extracurricular, and auxiliary programs is prohibited. During classes, all electronic devices must be switched off and out of sight. Personal items, print media, or electronic media brought to school may not contain nudity, profanity, or excessively violent or sexual content. Breach of this rule will result in confiscation of the item and may be considered a major Discipline Violation. Each teacher reserves the right to allow or disallow students' personal computers in the classroom.

Response to Physical Aggression, Physical Abuses of Persons or Property, Verbal Aggression, or Verbal Abuses of Persons Rules

Students must immediately report any aggressive behavior to the nearest staff member. The staff member then must assess the seriousness of the problem, stop the offensive behavior, and/or derive disciplinary consequences for such behavior.

If a student is the victim of physical aggression, he/she may use force to defend him/herself only if it is necessary to prevent the offender from further aggression. The School Director has the sole authority to decide if an aggressive defense is considered necessary or if the student could have diffused the situation by another means (calling a staff member, walking away, etc.). If a student observes aggression against property, he/she may try to stop this behavior only if this property damage might put others in immediate physical danger. In any other case, it is a Discipline Violation for students to engage in any restraining, retaliatory or vengeful behavior.

During class, if a student makes comments deemed offensive or inappropriate, the teacher will assess the seriousness of the problem, stop the offensive behavior, and/or derive disciplinary consequences for such behavior.

Students engaging in private conversation on school grounds, or at a school sponsored event, must adhere to BASIS rules of good behavior. If someone involved in the conversation (or someone overhearing the conversation) deems it to be inappropriate or offensive, the student must stop that conversation at once. At no time may a student intimidate another party in order to prevent him/her from openly expressing his/her dislike of a conversation topic. Similarly, if the conversation continues after a student has expressed dislike for it, then the offense must immediately be reported to office staff. At no point may an offended student engage in a verbal or physical dispute with the offender, no matter how offensive the topic of conversation. The staff member summoned is responsible for assessing the seriousness of the problem, stopping the offensive behavior, and/or deriving disciplinary consequences for such behavior.

Staff members will make every effort to ensure the confidentiality of any student who reports misconduct by a classmate. Sanctions may be invoked for retaliatory offenses, irrespective of the cause.

Harassment and Bullying Prevention Rules

BASIS employs the following definition for harassment and bullying: systematic and/or continued unwanted and annoying actions by a person or group, including threats and demands. This behavior includes but is not limited to verbal, physical, or sexual harassment.

Any form of harassment and bullying is strictly prohibited and will result in severe disciplinary consequences. Behavior must meet these criteria to be defined as harassment and bullying:

- *Systematic and/or continued*: a first offense qualifies as physical or verbal abuse, not harassment, and the responsible student(s) will receive a Discipline Violation. If the offenses continue, severe disciplinary consequences may ensue.

- *Unwanted and annoying*: the victim has to inform a staff member of the first offense and that he/she finds the offense annoying or unwanted. Therefore, the staff member has an opportunity to warn and/or discipline the perpetrator after the first violation.

Suspected, observed or experienced harassment or bullying must be immediately reported to a staff member. Students who do not report harassment or bullying may be subject to a Discipline Violation. The matter will be thoroughly investigated, and any student determined to have participated in harassment and bullying may be subject to disciplinary action. Staff members will make every effort to ensure the confidentiality of any student who reports misconduct by a classmate, and will invoke appropriate sanctions against any student who responds to another in a retaliatory manner.

Consequences of a Discipline Violation may include, but are not limited to, the following disciplinary actions:

Non-Suspension Disciplinary Actions

Classroom Discipline: Each teacher has his/her own classroom discipline procedure, which is in accordance with BASIS school policies. These procedures are clearly defined in course syllabi.

Exclusion: The student is temporarily (a maximum of 50 minutes per day) excluded from the classroom, cafeteria, hallway, or other school premises, due to a Discipline Violation. The student will spend an assigned time in the designated area, under the supervision of a staff member. During this time, the student may be required to work on additional academic tasks or school service activities (usually activities related to the upkeep and maintenance of the school's premises). It is the student's duty to inform the staff member that he/she was previously excluded from any activities during the same day. Every exclusion is considered an Office Referral. Failure to follow instructions during exclusion may be considered a serious Discipline Violation.

Office Referrals: The student is required to immediately (or in the time interval indicated by a staff member) report to the school office for disciplinary action. Prior to disciplinary action, the staff member referring the student to the office will verbally inform the office or complete a Discipline Violation Report describing the event. The School Director will then:

- Inform the student of the school policies he/she violated;
- Invite the student to explain his/her understanding of the event and instruct him/her on disciplinary due process;
- Decide the remedy and/or the disciplinary consequences:
 - Warning – Information about consequences in the case of next violation and possible request to produce verbal or written (letter or essay) explanation. There is no requirement to inform the parent about this action.

- Minor consequences – Include but are not limited to: Warning plus additional Exclusion for more than one school period, request to perform additional academic or school service activities during Exclusion or before or after school the next school day, one time Exclusion from an Extracurricular activity; written notice regarding the **Discipline Violation** in the Communication Journal; requirement to obtain a parent signature by the next school day. Failure to follow instructions or obtain the signature results in major discipline consequence.
- Major consequences – Short Term Suspension (see below).
- Severe consequences – Long Term Suspension or Expulsion (see below).

Suspension and Other Disciplinary Actions

Short-Term Suspension (1-9 school days): The student must remain away from school premises, classes, and all other school activities. Short-Term Suspension does not excuse the student from academic work required during the term of suspension. Suspended students must make up missed assignments to receive credit for them. The School Director designates a student's classmate to collect assignments for the student during the Short-Term Suspension. This material will be available for the parent/guardian of the suspended student to collect. The parent/guardian may call the school office to verify that there is new material available to be collected and to determine the time the material will be available. Upon returning to school the student is required to deliver all finished assignments he/she received during the suspension and coordinate any make-up tests or quizzes with the teacher of each subject. The student must make up these tests/quizzes on the date specified by each teacher.

When the School Director decides to impose Short-Term Suspension, a suspended student's parent/guardian will be informed of the suspension by telephone, in writing, or in person. The parent/guardian may be required to remove his/her child from the school immediately, or the School Director may postpone the start of suspension to the next day (or a later date). The School Director may also postpone the final decision regarding the length of suspension due to a pending incident investigation. The school reserves the right to suspend, without prejudice, any student subject to such investigation. A student suspended pending the result of a disciplinary investigation will be supported in his/her efforts to keep up with homework assignments and will be allowed credit for made-up work. If a student is subsequently found not guilty of a **Discipline Violation**, or the violation proves to be significantly less serious than suspected, he/she will be allowed an opportunity to make up and receive credit for missed assignments; however, there will be no other compensation (e.g. private tutoring, more than regular additional time for make-up work, etc.) for the time spent on suspension during the investigation.

Once the incident investigation is completed, a conference between the School Director and the parent/guardian will be required before the student is allowed to return to school.

Long-Term Suspension (At least 10 school days): The student must remain away from school premises, classes, and all other school activities for a period of at least 10 school days. Long-Term Suspension does not excuse the student from academic work assigned during the term of suspension. The School Director designates a student's classmate to collect assignments for the student during the Long-Term Suspension. To receive credit for assignments missed during a Long-Term Suspension, students suspended at least 10 school days will be required to complete missed assignments after returning to school. The student must follow the same procedure to secure make-up assignments as he/she would for a Short-Term Suspension. The student might be required to come to school after regular hours to sit exams and quizzes during his/her Long-Term Suspension.

Prior to any Long-Term Suspension, the student is placed on Short-Term Suspension and the same rules described in the Short-Term Suspension paragraph above are invoked. During this time the School Director conducts an investigation of the incident. Once the incident investigation is complete, a conference between the School Director and the parent/guardian will be required before the student is allowed to return to school. The investigation of the incident may also result in the School Director's recommendation to expel the student.

Expulsion: BASIS will permanently withdraw the student's privilege of attending the school. A student Expulsion is initiated at the recommendation of the School Director and requires the approval of the BASIS School Board. Until the School Board meets and makes its final determination, the student and school will follow the procedures implemented for a Long-Term Suspension. The student's parent/guardian shall receive written notification of the recommendation for Expulsion and shall be invited to attend the School Board meeting, at which the final determination will be made.

Contact of Local Law Enforcement Authorities: If the student is considered an immediate threat to himself/herself or others, or engages in conduct required by the law to be reported to the Law Enforcement Authorities, the staff member registering the offense notifies the School Director. It is the responsibility of the School Director to contact the local law enforcement.

Possible Disciplinary Decisions

Disciplinary decisions in each individual case will be made at the discretion of the School Director. These disciplinary decisions will depend upon the nature and severity of the infraction and other pertinent circumstances. The most common type of Discipline Violation is disruptive behavior in the classroom. While such misconduct is generally considered relatively minor, repeated violations may be damaging to the classroom environment and may interfere with the learning process. Therefore, repeated "minor" infractions may eventually lead to substantial consequences such as Office Referrals and Short-Term Suspensions.

The Head of School issues disciplinary guidelines to the School Director. These guidelines are available to the students and parents during the disciplinary decision process. It is important to note that these are *NOT* mandatory consequences, and the School Director may in any case decide more lenient or more severe consequences.

Disciplinary Due Process Procedures

Whenever a student is to receive disciplinary consequence he/she can ask to be brought to the school office, ask the School Director to contact his/her parent/guardian, and ask to be picked up to avoid any immediate punishment. If the parent/guardian does not honor the student's request in reasonable time, or the parent/guardian cannot be contacted in a reasonable time, the Disciplinary process continues. Determining what qualifies as a reasonable time is up to the School Director's discretion.

Whenever a staff member makes a decision about a student's Exclusion or the School Director decides to impose a Warning or Minor Discipline consequence, the decision is final and there is no due process to reverse this decision. The parent/guardian may ask the School Director for further explanation of this decision. The parent/guardian will then receive the explanation within 10 school days.

Whenever the School Director imposes a Short-Term Suspension or Long-Term Suspension, the parent/guardian has an opportunity to discuss the incident and the disciplinary decision with the School Director during the mandated meeting before the student returns to school. If the parent/guardian does not support the School Director's decision, he/she may write (e-mail) his/her objections and send them to the School Director. The School Director must then forward this letter to the Head of School. The parent/guardian will receive a response within 10 school days, but during this time the School Director's decision holds. If the Head of School supports the School Director's decision, the decision is final. There is no further due process within the School Administration.

If the parent/guardian believes the school violated any charter school regulations, State or Federal laws, or any other relevant regulation, he/she should bring it to the school's attention and may directly contact the governing authority.

Procedures for handling Discipline Violations specific to students with disabilities are contained in the school's Special Education Policies and Procedures Manual. Parents/Guardians of students with disabilities may request a copy. A disabled student is one who has been classified as disabled pursuant to the Individuals with Disabilities Education Act, Section 504 of the Rehabilitation Act, and/or the Americans with Disabilities Act.

Student Disciplinary Records

The School Director will make reasonable efforts to thoroughly investigate, accurately document, and fairly adjudicate student misconduct. Disciplinary records related to the current school year will be maintained by the School Director in the student's discipline file. The student's disciplinary file, adjusted to comply with Family Educational Rights and Privacy Act (FERPA), will be made available for inspection by parents/guardians upon request. In compliance with FERPA, all documents with information about any other students involved in the disciplinary event will be removed from the file prior to such inspection. The student's disciplinary file, including disciplinary information related to the current school year, is available for inspection only if the request is made before the end of the school year during which the Discipline Violation occurred.

All serious discipline issues must be reported to the Arizona Department of Education. When responding to requests for student disciplinary records and information from law enforcement agencies or court officials, the school will follow procedures mandated by the Family Educational Rights and Privacy Act (FERPA).

Standard Due Process

A parent/guardian may request, in writing, either of the following: that the School Director reviews any decision made by any staff member; that the Head of School reviews any decision made by the School Director. Decisions made by the Head of School are considered final. The parent/guardian will receive a written response to his/her request within 20 school days. If the request is related to Long-Term Suspension or Expulsion, the due process procedures outlined above will be followed. In any other case, if the Head of School supports the decision of the School Director, this response is final; there is no further due process within the School Administration or the School Board.

EXPEDITED

ARIZONA COMMISSION
SECRETARY OF STATE
FILED

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**ARTICLES OF INCORPORATION
OF**

**BASIS SCHOOL, INC.
(an Arizona Nonprofit Organization)**

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned incorporator, whose mailing address appears beneath his name, hereby adopts the following Articles of Incorporation for the purpose of forming a nonprofit corporation under the laws of the State of Arizona.

ARTICLE I

NAME

The name of this corporation is and shall be BASIS SCHOOL, INC., (hereinafter referred to as the "Corporation").

ARTICLE II

PRINCIPAL PLACE OF BUSINESS

The known place of business of this Corporation shall initially be 6470 N. Calle de Calipso, Tucson, Pima County, Arizona, 85718, but it may 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.

ARTICLE III

PURPOSES

This Corporation is organized and shall be operated as a nonprofit corporation solely and exclusively for the promotion of social welfare, and specifically for the conducting of any and all lawful affairs for which corporations may be incorporated. Without limiting the generality of the foregoing or the character of the affairs to be conducted by the corporation in the future, the corporation initially shall conduct the following business: Charter Middle School.

Consistent with the foregoing purposes and subject to all other limitations, restrictions and prohibitions set forth in these Articles, this Corporation shall have all the powers specified in Arizona Revised Statutes Section 10-2301 *et seq.*, and as shall later be repealed and renumbered of the Arizona Revised Statutes, as amended from time to time, and to do all and every thing necessary, suitable and proper for the accomplishment of the purposes or attainment of the objects hereinabove set forth either alone or in association with other individuals, corporations or partnerships, including federal, state, county and municipal bodies and authorities; and, in general, to do and perform such acts and transact such business in connection with the foregoing objects not inconsistent with law; provided, however, that the Corporation shall not perform any act or transact any business that will jeopardize the tax exempt status of the corporation under Section 501 of the Internal Revenue Code and its regulations as such Section and regulations now exist or may hereafter be amended or under corresponding laws and regulations hereafter adopted.

ARTICLE IV

PROHIBITED ACTIVITIES

No primary or substantial part of the activities of the Corporation shall be participation in or intervention in (including the publishing or distributing of

statements) any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE V

TERM

The time for the commencement of this Corporation shall be the date of the filing of these Articles of Incorporation as required by law, and the term of its corporate existence shall be perpetual.

ARTICLE VI

STOCK

This Corporation shall be a nonprofit corporation and shall have no stock, and no dividends or pecuniary profits shall be declared or paid to the directors hereof or to any other private individual. All the earnings and property of the Corporation shall be used to further the purposes and objects of the Corporation as set forth in ARTICLE III. Nothing contained herein, however, shall prohibit payments by the Corporation to directors or members as reasonable compensation for services rendered to the Corporation.

ARTICLE VII

INDEMNIFICATION

The directors, officers and members of the Corporation shall not be individually liable for the Corporation's debts or other liabilities. The private property of such individuals shall be exempt from any corporate debts or liabilities. A director of the Corporation shall not be personally liable to the Corporation or its members, if any, for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its members, if any, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a

knowing violation of law, (iii) under Section 10-2326, *et seq.*, where applicable, of the Arizona Revised Statutes, or (iv) for any transaction from which the director derived any improper personal benefit. If the Arizona Revised Statutes are hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Arizona Revised Statutes, as so amended. Any repeal or modification of this Article shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE VIII

INCORPORATOR

The names and addresses of the incorporator of the Corporation is:

Thomas R. Aguilera, Esq.
Monroe & Associates, P.C.
6280 E. Pima, Ste. 105
Tucson, AZ 85712.

All powers, duties and responsibilities of the incorporator shall cease on the date and at the time of the convening of the organizational meeting of the Board of Directors.

ARTICLE IX

DIRECTORS

The control and management of the affairs of the Corporation shall be vested in a Board of Directors. The names and addresses of those selected to serve as directors, beginning with the incorporation of this Corporation and until the second annual meeting of the corporation or until their successors shall be elected and qualified, are:

Olga Vyborna Bločk
6470 N. Calle de Calipso
Tucson, AZ 85718

Michael Kent Block
6470 N. Calle de Calipso
Tucson, AZ 85718

Lewis C. Solmon
323 San Vicente Blvd., #14
Santa Monica, CA 90402

ARTICLE X

FISCAL YEAR

The fiscal year for this Corporation shall be DECEMBER 31st, unless otherwise fixed by a resolution of the Board of Directors.

ARTICLE XI

DISSOLUTION

No person shall possess any property right in or to the property or assets of the Corporation. Upon dissolution of this Corporation as provided in the Bylaws, all assets remaining after payment of any outstanding liabilities shall be distributed exclusively to charitable, religious, educational or scientific organizations which would then qualify under the appropriate provisions and subsections of Section 501(c) of the Internal Revenue Code and its regulations as such Section and regulations now exist or may hereafter be amended, or under corresponding laws and regulations hereafter adopted and which organizations have purposes and objects similar to those of the corporation, all determined in accordance with the Bylaws.

ARTICLE XII

AMENDMENTS

These Articles of Incorporation may be amended in the following manner:

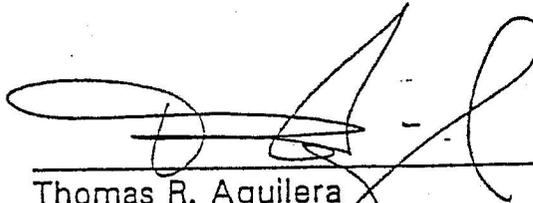
- (a) If there are members entitled to vote on the proposed amendment, the Board of Directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of those members, which may be either an annual or a special meeting. Written notice setting forth the proposed amendment or a summary of the changes to be effected shall be given to each member entitled to vote at the meeting within the time and in the manner provided for giving of notice of meetings. The proposed amendment may be adopted only by act of the members.
- (b) If there are no members or no members entitled to vote on the proposed amendment, an amendment may be adopted by act of the Board of Directors.
- (c) Any number of amendments may be submitted and voted upon at any one meeting.

ARTICLE XIII

STATUTORY AGENT

This Corporation hereby appoints Thomas R. Aguilera, of Monroe & Associates, P.C., 6280 E. Pima, Ste. 105, Tucson, Arizona, 85712, as its initial statutory agent who has been a resident of this state for at least three (3) years. All notices and processes, including service of summons, may be served upon said statutory agent and, when so served, shall be lawful, personal service upon this Corporation. The Board of Directors may, at any time, appoint another agent for such purpose, and filing of such other appointment shall revoke this or any other previous appointment of such agent.

IN WITNESS WHEREOF, I, the undersigned incorporator, have hereunto signed my name this 23rd day of March 1998.

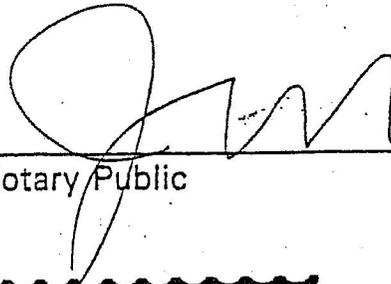


Thomas R. Aguilera
Monroe & Associates, P.C.
6280 E. Pima, Ste. 105
Tucson, AZ 85712

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

On this, the 23rd day of March 1998, before me THOMAS R. AGUILERA, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged that he executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

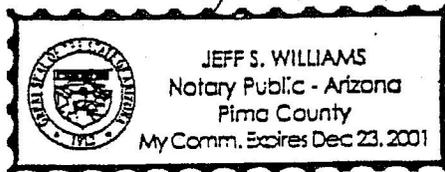


Notary Public

My Commission Expires:

12/23/2001

TRA/tw - 03/23/98

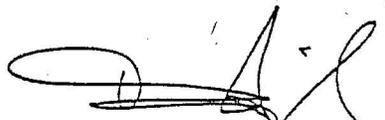


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ACCEPTANCE OF STATUTORY AGENT

Thomas R. Aguilera, having been designated to act as statutory agent for BASIS SCHOOL, INC., and having been a resident of this state for at least three (3) years, hereby consents to act in that capacity until he is removed, or submits his resignation, in accordance with applicable law.

DATED:



Thomas R. Aguilera, Esq.
Monroe & Associates, P.C.
6280 E. Pima, Ste. 105
Tucson, AZ 85712

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

DEPARTMENT OF THE TREASURY

Date: NOV 18 1998

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

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

Dear Applicant:

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

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

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

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

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

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

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

Letter 947 (DO/CG)

BASIS SCHOOL, INC.

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.

Letter 947 (DO/CG)

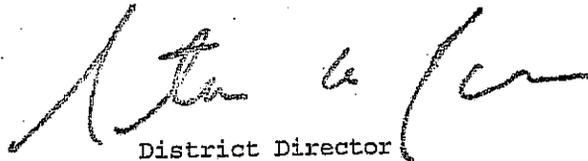
BASIS SCHOOL, INC.

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,

A handwritten signature in cursive script, appearing to read "John A. [unclear]", written in dark ink.

District Director

This form must be signed by the duly authorized representative of the applicant and submitted with the Full Application. An application will be considered incomplete if it is not accompanied by the Statement of Assurances form signed by the applicant's authorized representative.

Statement of Assurances

The charter school agrees to comply with all of the following provisions: (*Read and check*)

1. A resolution or motion has been adopted by the charter school applicant's governing body that authorizes the submission of this application, including all understanding and assurances contained herein, directing and authorizing the applicant's designated representative to act in connection with the application and to provide such additional information as required.
2. Recipients operate (or will operate if not yet open) a charter school in compliance with all federal and state laws, including Indiana Charter Schools Law as described in all relevant sections of IC § 20-24.
3. Recipients will, for the life of the charter, participate in all data reporting and evaluation activities as required by the Indiana Charter School Board (ICSB) and the Indiana Department of Education. See in particular IC § 20-20-8-3 and relevant sections of IC § 20-24.
4. Recipients will comply with all relevant federal laws including, but not limited to, the *Age Discrimination in Employment Act* of 1975, Title VI of the *Civil Rights Act* of 1964, Title IX of the *Education Amendments of 1972*, section 504 of the *Rehabilitation Act* of 1973, Part B of the *Individuals with Disabilities Education Act*, and section 427 of the *General Education Provision Act*.
5. Recipients will comply with all provisions of the Non regulatory Guidance—Public Charter Schools Program of the U.S. Department of Education, which includes the use of a lottery for enrollment if the charter school is oversubscribed, as well as with applicable Indiana law. See also relevant sections of IC § 20-24.
6. Recipients shall ensure that a student's records, and, if applicable, a student's individualized education program as defined at 20 U.S.C. § 1401(14) of the *Individuals with Disabilities Education Act*, will follow the student, in accordance with applicable federal and state law.
7. Recipients will comply with all provisions of the *No Child Left Behind Act*, including but not limited to, provisions on school prayer, the Boy Scouts of America Equal Access Act, the Armed Forces Recruiter Access to Students and Student Recruiting Information, the Unsafe School Choice Option, the Family Educational Rights and Privacy Act (FERPA) and assessments.
8. Recipients will operate with the organizer serving in the capacity of fiscal agent for the charter school and in compliance with generally accepted accounting principles.
9. Recipients will at all times maintain all necessary and appropriate insurance coverage.
10. Recipients will indemnify and hold harmless the ICSB, the Indiana Department of

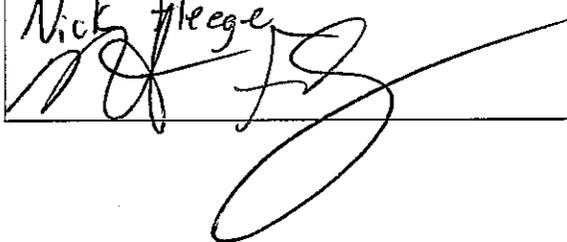
Education, the State of Indiana, all school corporations providing funds to the charter school (if applicable), and their officers, directors, agents and employees, and any successors and assigns from any and all liability, cause of action, or other injury or damage in any way relating to the charter school or its operation.

11. Recipients understand that the ICSB may revoke the charter if the ICSB deems that the recipient is not fulfilling the academic goals and/or fiscal management responsibilities outlined in the charter.

Signature from Authorized Representative of the Charter School Applicant

I, the undersigned, am an authorized representative of the charter school applicant and do hereby certify that the information submitted in this application is accurate and true to the best of my knowledge and belief. In addition, I do hereby certify to the assurances contained above.

Print Name and Sign

Nick Heege


Date

10/26/11



11485 n 136th street
suite 109
scottsdale, az 85259

To Whom It May Concern:

This letter is being submitted in lieu of the Charter School Board Member Information sheets. Members of the BSI Board of Directors are identified several times throughout this application, and their resumes have been attached in two different Attachments. However, it is our understanding that the Board Member Information sheets refer to school board members and not our corporate board. Since the school board will not be finalized until after our charter has been awarded, we cannot complete this part of the application.

We have attached a Resolution adopted by our corporate school board giving the BSI New Schools Development Department the authority to "conduct all activities necessary to implement the Board's objective of establishing multiple new schools each year." We have also attached a Resolution passed by the BASIS Peoria school board, adopting the school missions statement, which speaks to several of the questions asked in the Charter School Board Member Information sheets. The BASIS Indianapolis School Board will follow the same mission and vision as the existing BASIS school boards.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Morrissey', with a long horizontal stroke extending to the right.

Paul Morrissey
New School Development Manager
October 28, 2011

Attachment 16: Personnel Policy

This attachment is not applicable to BASIS Indianapolis, as all on-site faculty and staff members will be leased to the school by BASIS Educational Group. BASIS Educational Group has its own comprehensive personnel policy.

After BASIS Indianapolis is granted a charter, site-specific human resources documents will be created.



BASIS
SCHOOLS INC.

11485 n 136th street
suite 109
scottsdale, az 85259

To Whom It May Concern:

Once the BASIS Indianapolis School Board is established, they will adopt their own Code of Ethics and Conflict of Interest Policy. The School Board will be established once BASIS Indianapolis is awarded a charter.

Until that time, the BSI Board of Directors will set the ethical standard for school governance. The BSI Board of Directors' ethical standards are outlined in the section of the application entitled **Governing Board** and are laid out in the Board's Bylaws and Articles of Incorporation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Morrissey', with a long horizontal stroke extending to the right.

Paul Morrissey
New School Development Manager
October 28, 2011

Attachment 17: Head of School and Faculty Evaluation Tools

This attachment is not applicable to BASIS Indianapolis, as all on-site personnel are leased employees from BASIS Educational Group. As we state in the application itself, BEG has a rigorous teacher and administrator evaluation program which evaluates personnel on outputs rather than inputs. We agree that holding employees, especially teachers, to a high standard is essential to the successful operation of a charter school. BEG has developed a strong evaluation system which is built into the BASIS Best Practices program, whereby every teacher and administrator is evaluated often, and BASIS Indianapolis will utilize this expertise when evaluating staff.

To view this email as a web page, go [here](#).



Indiana Department of Education
SUPPORTING STUDENT SUCCESS



Indiana's Students Win Big!

Indiana students beat Idaho by one-tenth of a percent to capture the Apangea i2 Math Challenge championship Monday evening. The competition pitted Indiana students against Idaho students to see which state could complete the most math problems using the Apangea online tutoring program. Indiana's students demonstrated a true commitment to academic excellence by logging onto computers well past school hours and on weekends. [Read more!](#)

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Inspiring Innovation and Ensuring Accountability

By Dale Chu, IDOE's Assistant Superintendent for Policy

We have received some inquiries regarding language in Senate Bill 1 that would allow charter schools to hire unlicensed teachers (the 50% provision). This portion of SB 1 has also caused some confusion, so we thought it would be helpful to provide some additional context.

Some nationally-recognized, high-performing charter sponsors currently operating in other states are interested in sponsoring schools in Indiana, but they will not come to our state unless we offer them this flexibility (BASIS is one example, and they have achieved great results. Read more about BASIS at: <http://www.basisschools.org/bsi/index.php>.) These sponsors often hire content-specific experts directly from the field and provide them with rigorous, job-embedded professional development, ongoing feedback, coaching, and support. Moreover, the proposed legislation would require these experts to hold a bachelor's degree in that content area and have at least a 3.0 GPA on a 4.0 scale.

Charter schools are not the only settings that utilize non-traditional teachers. Already in Indiana's public schools, career and technical education programs use this type of non-certified expertise all the time. For example, we currently trust expert electricians to equip students with the knowledge and skills they need if they want to pursue a career in this sector. Imagine the potential benefit to students if a scientist or an engineer can come to the classroom to teach biology or physics or geometry. Granted, content knowledge alone does not guarantee a great teacher; however, with the right training and ongoing support, these individuals have the potential to be extremely successful. With our students needs top of mind, we want to encourage highly-skilled adults to transition to the teaching profession, and the department has taken action to increase the number of alternative teacher certification programs available to talented adults hoping to enter our classrooms. (See REPA: <http://www.doe.in.gov/news/2009/07-July/REPA.html>).

Some additional context often lost in this discussion is that our legislative agenda calls for charter schools to be held to an extremely high level of accountability - higher, even, than traditional public schools. Increased accountability acts as a safeguard to ensure the 50 percent provision does not reduce the quality of instruction students receive. Because charter schools are public schools, their teachers will be evaluated in the same way, with the same rewards and consequences, and schools will receive A-F letter grades. If a charter school receives a D or F for three consecutive years and the school has been in operation for more than five, the state will intervene.

more information.

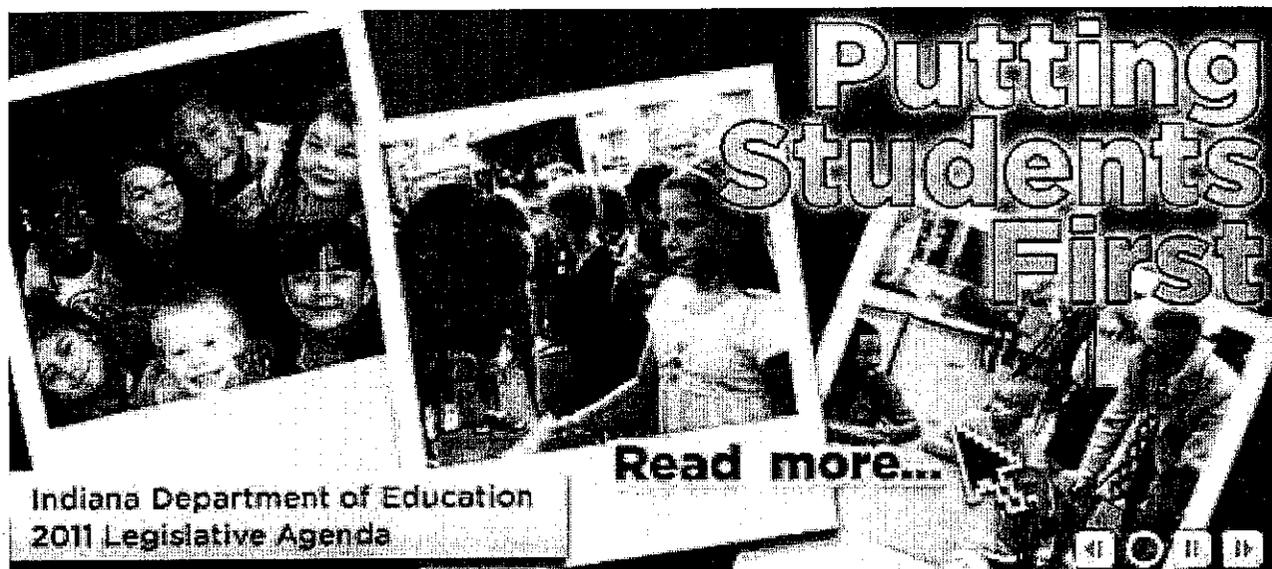
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When charter schools were first conceived, the theory of action was that being freed from some of the constraints and bureaucracy would allow them to pilot new and innovative practices. In some ways, the goal was to have charters act as a research and development arm for traditional public schools. That is, if a charter school came upon a great practice, it could be disseminated to their traditional public school cousins. Unfortunately, this goal has yet to come to fruition in large part because of (1) the lack of accountability for charters and (2) the insistence among some to make charters follow the exact same rules and regulations of traditional public schools. Our legislative agenda aims to correct these two shortcomings in order to truly unleash the potential of charter schools as one piece of a comprehensive education system for all students.

Shaking hands and discussing plans...

Dr. Bennett and IDOE staff members are continuing their marathon trek through the Hoosier State. Since August, Dr. Bennett has personally met with over 7,000 educators during town halls and classroom visits. In that time period, IDOE staffers have met with over 21,000 educators. Since taking office Dr. Bennett has visited 154 schools in 55 counties.



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IBJNEWS

Reform law gives charters leeway to hire unlicensed teachers

Francesca Jerosz May 7, 2011 KEYWORDS CHARTER SCHOOLS, EDUCATION & WORKFORCE DEVELOPMENT, EDUCATION REFORM, K-12, TEACHERS

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A new law that will expand the number of charter schools in Indiana also could increase the number of teachers at those schools without licenses.

It's a concept that has become popular in some education-reform circles as a way to provide easier entry into teaching for people from other careers. But it remains controversial, as some with traditional education training challenge whether such teachers can be effective.



Kelly Geisleman, a student teacher and senior education major at Butler University, helps freshman DaMontae King in political science class at Shortridge Magnet. (IBJ Photo/ Perry Reichanadter)

Under the law, 10 percent of teachers can be unlicensed at any charter school in the state. Charters that want to go beyond that 10 percent can ask the state for a waiver to increase their percentage.

At a charter such as Indianapolis Metropolitan High School, where about half the staff comes to teaching through non-traditional routes, that opens the door for more professionals such as engineers, physicians and politicians to teach—and increases the teaching pipeline in much-needed fields such as math and science.

It also adds experts, who proponents say bring a fresh perspective.

"Here's someone who has done it, who has lived it," said Indy Met Superintendent Scott Bess, who returned to education after leaving a job teaching middle school math to work in IT for several years. "They have the aptitude."

His last point remains a topic of debate.

Opponents question how effective teachers with subject-matter expertise but little classroom experience are at conveying complicated information to students. That's particularly true, they say, when it comes to reaching the challenging student populations many urban charters serve.

"Teaching at a middle school or high school level isn't about being an expert in content. It's about teaching kids to learn," said Alene Smith, a 22-year educator who teaches social studies at Indianapolis Public Schools' Shortridge Magnet High School. "Some students are in foster

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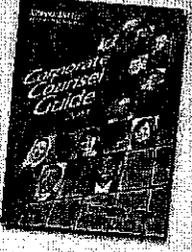
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But as the state opens the door for more flexibility, it's likely that some schools will trade pedagogy for professionals.

What's still unclear is how that will play out in classrooms.

Some studies show that certification status has at most a small impact on student test performance. And there are schools where largely unlicensed teaching staffs have produced outstanding results.

Looking west for inspiration

Before the new law, which takes effect July 1, all teachers had to be licensed by the state.

That doesn't mean they all had a four-year education degree and classroom experience. Those transitioning into the profession can get a so-called emergency license to teach for three years before they're fully licensed.

In those cases, the teachers are taking education courses while they're teaching, and they eventually obtain their certification.

The new law allows charter schoolteachers who enter from a different profession to avoid certification altogether. It would be up to schools to provide mentorship and training to help teachers learn to handle the classroom.

Other states already provide that leeway on a broader scale. Arizona, for example, doesn't require any teachers at its 511 charter schools to be licensed.

As originally written, Indiana's legislation would have allowed up to 50 percent of teachers at charters to be unlicensed, but lawmakers scaled that back.

State education leaders, though, say providing such flexibility can enable teachers to be trained in ways that makes them most effective.

"I want teachers to be consumers of preparation based on the needs of children," said Indiana Superintendent of Public Instruction Tony Bennett. "That's going to be a major paradigm shift."

To prove the approach is effective, Bennett and other education leaders looked to Arizona, where a charter school operator has been hiring mostly unlicensed teachers and producing stellar results.

In fact, Indiana's push for more license with licensing was driven by the desire to attract the schools, called BASIS, to Indiana.

Just 24 percent of teachers at BASIS' three schools are licensed. The schools recruit teachers who have strong knowledge in the areas they teach. Before they're hired, prospective teachers must give a couple of mock lessons to show their aptitude to convey what they know.

Once they're on staff, BASIS teachers go through a week-long summer program to learn basic teaching methods. They also have access to ongoing training throughout the year.

"We want to hire teachers who are experts, give them as much autonomy as possible, and hold them accountable for results," said Arwynn Gibroy, the school's communications director. "It's much more difficult to learn a subject than it is to convey something you know to students."

Those who teach education agree subject-area knowledge is important, but learning how to communicate it to students is equally critical.

"Having content knowledge alone is not sufficient to be an effective teacher," said Lindan Hill, dean of the School of Education at Marian University. "You've got to be a manager of group psychology. A teacher has to convince 20 to 40 students every day they want to be in that classroom."

Teacher perspectives

New teachers from both traditional and alternative backgrounds say they've learned how to do that mostly through classroom experience.



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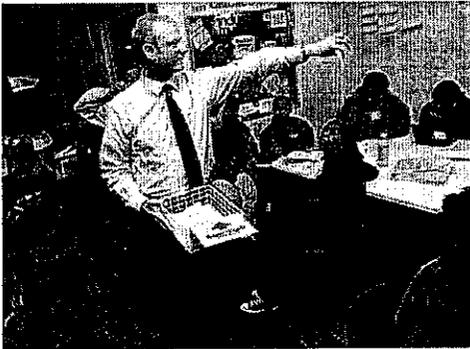
ETHICS UPDATE

DATE: Wednesday, November 30, 2011
REGISTRATION/LUNCH: 11:15 a.m.
PROGRAM: Noon - 1:00 p.m.
LOCATION: Barnes & Thornburg LLP, Indianapolis

1 CLE/Ethics Hour INDIANA LAWYER

Eric Nentrup began teaching at Indy Met in August 2009 after seven months of courses in a transition-to-teaching program at Indiana Wesleyan University.

Nentrup, who entered the field after running his own video production company and working in marketing, is still taking those classes. But he said what prepared him most for his own classroom was a semester-long stint teaching computer graphics through a vocational program at Columbus North High School in 2004.



Teacher Eric Nentrup makes sure his students have turned in their homework. He became a teacher after working in marketing and video production. (IBJ Photo/ Perry Reichenadter)

It was there that he discovered so-called project-based learning, which minimizes lecture time and lets students collaborate to solve problems—an approach he employs frequently in his junior American history/literature class at Indy Met.

For a recent project, Nentrup divided students into groups to research a city's growth during the Industrial Revolution. He assigned student leaders—whom he called “mayors” of those cities—to guide the groups.

“I am pushing against the notion that students come in on autopilot,” said Nentrup, who views his classroom as a creative agency in which his students are employed with carrying out projects. “It’s a ... shift to come into the classroom and have your teacher teach you like a supervisor.”

Nentrup has a casual approach with students, rewarding good work with fist bumps and encouraging them to use laptops and iPads to do research, sometimes at the risk of losing them to YouTube or Twitter. Every day is a lesson in how to effectively employ that philosophy. Sometimes, he has major breakthroughs.

About a month ago, Nentrup got fed up with students’ persistent disruptive behavior in one of his classes. Instead of scolding them, he left the classroom and sat in a chair right outside the door.

Gradually, his students followed, and he told them to pull up a chair if they were interested in learning. Since then, he said, their cooperation has been significantly better.

“It was one of those halcyon clear moments,” Nentrup said. “I realized it wasn’t about classroom management. It was about human leadership.”

What would have been the best preparation for teaching, Nentrup said, is not more academic coursework but time spent as an assistant to a seasoned teacher.

Such classroom learning has been a core component in preparing Kelly Geisleman, a senior education major at Butler University who is completing her last semester of student teaching at Shortridge Magnet.

Geisleman, whose project-based teaching style and friendly interaction with students is similar to Nentrup’s, said her coursework in teaching methods helped her in the classroom. But what was most critical, she said, was time in the seven classrooms where she’s either observed or taught since freshman year.

Even with that experience, Geisleman said, figuring out how to run a classroom is hard, and she has a tough time imagining how difficult it would be if she were thrown in without training.

Smith, the 22-year teacher supervising Geisleman, said learning skills such as how to command students’ respect takes years of experience.

That was obvious one morning during Geisleman’s class when a group of sophomores was working in groups to select juries from lists of hypothetical characters. A pair of students who weren’t engaged in the project sneaked in a card game as Geisleman was busy helping their classmates.

When the pair saw Smith enter the classroom, they hastily put the cards away.

Effectiveness in dispute

Geiselman's experience could underscore some educators' arguments about why a licensing process is important.

Gerardo Gonzalez, dean of Indiana University's School of Education, said allowing teachers in training to spend time in classrooms with mentor teachers is crucial—as is instruction about how to teach a certain subject and to a particular grade level.

"Having teachers who are not certified at all teaching students is a disservice to the students and teachers because you're putting them in situations that, in many cases, they can't handle," Gonzalez said. Licensing "is the mechanism the state has to ensure that every teacher has met the minimum standards necessary to be a practicing teacher."

Gonzalez points to a national study that IU commissioned to look at the relationship between teacher credentials and student achievement. The results, released last year, showed that fourth- and eighth-grade students whose teachers majored in education scored three to six points higher on standardized English and math tests than students whose teachers majored in something else.

However, a 2006 study that looked at the impact of teacher licensing in New York City public schools using six years of test-performance data showed little difference in the student-achievement impact among certified, uncertified and alternatively certified teachers.

BASIS' results seem to exemplify that. The schools tout 100 percent pass-rate on state tests, and 87 percent of students pass AP exams.

The school doesn't track students' income levels, but officials estimate about 20 percent of students at the BASIS school in Tucson qualify for free and reduced lunch—a much lower percentage than in urban schools such as Indy Met.

Nonetheless, school advocates say BASIS' results provide a strong argument that licensing shouldn't be a prerequisite for teachers.

Those at BASIS and educators such as Gonzalez concur that critical teacher learning takes place while they're instructing.

Where they differ is whether it should be left up to the state—or the schools themselves—to ensure that classroom time translates into quality teachers.

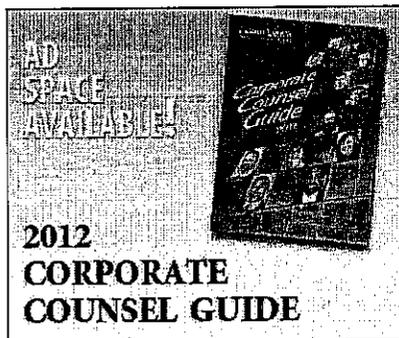
Bess said charters such as Indy Met have a strong incentive to make sure teachers are effective. If they don't, they're not only subject to state intervention but also could be shut down by authorizers.

Still, even proponents acknowledge that with looser licensing requirements, the state no longer has a direct way to monitor whether all teachers are qualified for their jobs.

But if there's added risk, they say it's worth taking.

"The flexibility to bring in someone who is extraordinary in the content area is a good thing," Marian's Hill said. "To say no one can teach without a license misses out on some significant opportunities for some great instruction."

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RICHARD WILSON *October 21, 2011 6:35 PM*

teachers donot have to have masters to be successful,i have an accounting degree and 35 years experience .who do you think is better qualified to teach?me or a rescent graduate.

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Attachment 23: Portfolio Summary

School	BASIS Chandler
Year Established	2011
Enrollment	686
Grades Severed	5 - 10
AZ Learns Achievement Profile	N/A
Head of School	Tom Davison
Address	1800 E. Chandler Blvd Chandler, AZ 85225
Phone	480.907.6072

School	BASIS Peoria
Year Established	2011
Enrollment	600
Grades Severed	5 - 10
AZ Learns Achievement Profile	N/A
Head of School	Jeffrey Houser
Address	25950 N. Lake Pleasant Parkway Peoria, AZ 85383
Phone	623.566.9100

School	BASIS Flagstaff
Year Established	2011
Enrollment	487
Grades Severed	5 - 10
AZ Learns Achievement Profile	N/A
Head of School	Kara Kelty
Address	1700 N. Gemini Drive Flagstaff, AZ 86001
Phone	

School	BASIS Scottsdale
Year Established	2003
Enrollment	729
Grades Severed	5 - 12
AZ Learns Achievement Profile	Excelling
Head of School	John Hillis
Address	11440 N. 136th Street Scottsdale, AZ 85258
Phone	480.451.7500

School	BASIS
Year Established	2010
Enrollment	648
Grades Severed	5 - 11
AZ Learns Achievement Profile	N/A
Head of School	Carolyn McGarvey
Address	11155 N. Oracle Road Oro Valley, AZ 85737
Phone	520.308.5220

School	BASIS Tucson
Year Established	1998
Enrollment	705
Grades Severed	5 - 12
AZ Learns Achievement Profile	Excelling
Head of School	Julia Toews
Address	3825 E. 2nd Street Tucson, AZ 85716
Phone	520.326.6367

Demographics

BASIS schools have never collected income data on students; therefore, we do not have any free/reduced price lunch data. The following is the most recent special education and race/ethnicity data we have. At the time of this application, BASIS Chandler, BASIS Flagstaff, and BASIS Peoria are in the first months of operation. They have collected special education information and are performing SPED services for those students in need; however, the data has not yet been placed in our data management system. This takes place at the end of October.

Enrollment by Ethnicity (as of October 27, 2011)

School	Native American	Asian	African American	Hispanic	Native Hawaiian/Pacific Islander	White	Two or More
Chandler	0.1%	63.2%	3.2%	5.1%	0.0%	24.9%	3.5%
Flagstaff	4.2%	4.6%	0.4%	11.1%	0.0%	75.8%	3.8%
Oro Valley	1.4%	15.1%	2.8%	11.4%	0.9%	68.5%	0.0%
Peoria	0.3%	32.5%	1.0%	7.6%	0.0%	55.2%	3.4%
Scottsdale	0.3%	40.9%	1.9%	2.1%	0.9%	53.8%	0.1%
Tucson	1.4%	21.0%	4.1%	20.1%	0.1%	52.8%	0.4%
Grand Total	1.1%	31.0%	2.3%	9.5%	0.3%	53.9%	1.7%

BASIS GRADUATES: COLLEGE ACCEPTANCES

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Princeton University
Stanford University
University of Pennsylvania
Massachusetts Institute of Technology
Dartmouth College
University of Chicago
Duke University
Northwestern University
Johns Hopkins University
Cornell University
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New York University
Brandeis University
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University of Illinois
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Boston College
Fordham University
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University of Pittsburgh
Northeastern University
University of Connecticut
Colorado School of the Mines
University of California, Santa Cruz
American University
Drexel University
University of Colorado, Boulder
University of Colorado, Boulder (Honors College)
University of California, Riverside
The University of Oklahoma
University of Oregon
University of Oregon (Clark Honors College)
University of South Carolina
University of Arizona
University of Arizona (Honors College)
Hofstra University
Arizona State University
Arizona State University (Barrett Honors College)
University of Texas, Dallas
University of Colorado, Denver (Leaders Program)
Williams College

Amherst College
Swarthmore College
Middlebury College
Carleton College
Claremont McKenna College
Wesleyan University
Smith College
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Grinnell College
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McGill University
Sarah Lawrence College

2011 AP Results for BASIS Schools

Subject	School	Number of Tests	Average	Median	Mode	Percent Scoring 3 or More	Percent Scoring 1	Percent Scoring 2	Percent Scoring 3	Percent Scoring 4	Percent Scoring 5
Biology	Scottsdale	25	3.7	4	5	84	16	0	20	28	36
	Tucson	40	4.2	4	5	91	5	5	5	38	48
	All BASIS Schools	65	4.0	4	5	88	9	3	11	34	43
	Arizona	1,706	2.6	2	1	48	37	15	16	16	16
	Global	184,485	2.7	3	1	51	35	15	15	17	19
Calculus AB	Scottsdale	38	3.7	4	5	84	13	3	24	21	39
	Tucson	21	4.3	5	5	100	0	0	24	24	52
	All BASIS Schools	59	3.9	4	5	90	8	2	24	22	44
	Arizona	3,037	2.6	3	1	51	37	12	18	15	18
	Global	255,341	2.8	3	1	56	33	11	19	16	21
Calculus BC	Scottsdale	35	4.7	5	5	100	0	0	9	11	80
	Tucson	23	4.9	5	5	100	0	0	0	13	87
	All BASIS Schools	58	4.8	5	5	100	0	0	5	12	83
	Arizona	1,298	3.5	4	5	76	17	7	21	16	39
	Global	85,181	3.8	4	5	81	14	6	17	16	48
Chinese Language and Culture	Tucson	1	3.0	3	3	100	0	0	100	0	0
	Arizona	68	4.5	5	5	96	0	4	15	7	74
	Global	7,961	4.5	5	5	95	2	2	9	14	72
Chemistry	Scottsdale	18	3.9	4	5	94	0	6	33	22	39
	Tucson	37	3.0	3	3	65	11	24	38	8	19
	All BASIS Schools	55	3.3	3	3	74	7	18	36	13	26
	Arizona	1,543	2.8	3	1	58	26	16	23	20	15
	Global	122,642	2.8	3	1	55	30	15	20	18	17

2011 AP Results for BASIS Schools

Subject	School	Number of Tests	Average	Median	Mode	Percent Scoring 3 or More	Percent Scoring 1	Percent Scoring 2	Percent Scoring 3	Percent Scoring 4	Percent Scoring 5
Computer Science A	Oro Valley	6	3.7	4	NA	83	17	0	17	33	33
	Scottsdale	16	3.8	4	NA	88	0	13	31	25	31
	Tucson	5	3.0	3	3	80	0	20	60	20	0
	Scottsdale and Tucson	21	3.6	3	3	86	0	14	38	24	24
	All BASIS Schools	27	3.6	4	3	85	4	11	33	26	26
	Arizona	89	3.3	4	4	72	18	10	20	27	25
	Global	22,177	3.1	3.5	1	64	28	8	14	25	25
English Language and Composition	Scottsdale	43	4.3	5	5	97	0	2	16	30	51
	Tucson	40	3.8	4	NA	90	0	10	30	30	30
	All BASIS Schools	83	4.0	4	5	94	0	6	23	30	41
	Arizona	6,055	2.9	3	3	60	12	28	30	20	10
	Global	412,434	2.9	3	3	61	11	28	30	20	11
English Literature and Composition	Scottsdale	15	4.0	4	4	100	0	0	27	47	27
	Tucson	36	3.0	3	3	67	0	33	39	22	6
	All BASIS Schools	51	3.3	3	3	77	0	23	35	29	12
	Arizona	5,119	2.8	3	2	55	10	35	32	16	7
	Global	367,668	2.8	3	2	57	11	32	31	18	8
Environmental Science	Scottsdale	9	3.7	4	4	89	0	11	11	78	0
	Arizona	541	3.0	3	4	58	19	23	14	31	13
	Global	98,950	2.7	2	1	49	26	25	15	25	9

2011 AP Results for BASIS Schools

Subject	School	Number of Tests	Average	Median	Mode	Percent Scoring 3 or More	Percent Scoring 1	Percent Scoring 2	Percent Scoring 3	Percent Scoring 4	Percent Scoring 5
European History	Scottsdale	36	3.4	3	3	89	3	8	53	22	14
	Tucson	57	3.1	3	3	77	18	5	42	16	19
	All BASIS Schools	93	3.2	3	3	82	12	6	46	18	17
	Arizona	1,007	2.9	3	3	68	20	13	39	18	11
	Global	107,388	2.8	3	3	65	24	12	36	19	11
Macroeconomics	Scottsdale	24	4.1	4	5	92	0	8	17	29	46
	Tucson	20	4.0	4	4	85	0	15	10	40	35
	All BASIS Schools	44	4.0	4	5	89	0	11	14	34	41
	Arizona	1,115	2.7	3	1	53	26	20	20	24	9
	Global	90,114	2.8	3	1	54	28	18	17	24	13
Microeconomics	Scottsdale	24	4.3	4	4	100	0	0	8	50	42
	Tucson	20	4.0	4	NA	90	0	10	20	35	35
	All BASIS Schools	44	4.2	4	4	95	0	5	13	43	39
	Arizona	480	3.1	3	4	69	14	17	25	28	16
	Global	56,295	3.0	3	4	63	21	16	21	26	16
Physics B	Scottsdale	6	3.7	4	4	100	0	0	33	67	0
	Arizona	844	2.7	3	1	55	30	15	26	17	12
	Global	75,637	2.9	3	3	61	21	17	26	19	16
Physics C Electricity and Magnetism	Tucson	7	4.6	5	5	100	0	0	0	43	57
	Arizona	72	3.4	4	4	68	13	19	14	28	26
	Global	15,182	3.5	4	5	70	12	18	14	24	32

2011 AP Results for BASIS Schools

Subject	School	Number of Tests	Average	Median	Mode	Percent Scoring 3 or More	Percent Scoring 1	Percent Scoring 2	Percent Scoring 3	Percent Scoring 4	Percent Scoring 5
Physics C Mechanics	Scottsdale	2	4.5	4.5	NA	100	0	0	0	50	50
	Tucson	9	4.9	5	5	100	0	0	0	11	89
	All BASIS Schools	11	4.8	5	5	100	0	0	0	18	82
	Arizona	384	2.8	3	3	57	23	20	24	19	15
	Global	35,160	3.4	4	5	73	13	14	22	24	27
Psychology	Oro Valley	5	2.8	3	3	80	20	0	60	20	0
	Scottsdale	18	4.7	5	5	100	0	0	0	33	67
	Tucson	40	3.7	4	4	80	3	18	15	35	30
	Scottsdale and Tucson	58	4.0	4	5	86	2	12	10	34	41
	All BASIS Schools	63	3.9	4	5	86	3	11	14	33	38
	Arizona	1,524	3.3	4	4	72	15	13	21	27	24
Global	197,708	3.1	3	4	66	21	13	20	26	20	
Statistics	Scottsdale	11	4.2	5	5	100	0	0	36	9	55
	Arizona	955	2.7	3	3	55	25	20	26	20	9
	Global	142,894	2.8	3	3	58	24	18	25	21	12

2011 AP Results for BASIS Schools

Subject	School	Number of Tests	Average	Median	Mode	Percent Scoring 3 or More	Percent Scoring 1	Percent Scoring 2	Percent Scoring 3	Percent Scoring 4	Percent Scoring 5
US Government and Politics	Oro Valley	52	2.4	2	2	35	19	46	17	6	12
	Scottsdale	46	3.9	4	NA	100	0	0	37	37	26
	Tucson	58	3.7	4	5	83	2	16	26	24	33
	Scottsdale and Tucson	104	3.8	4	3	91	1	9	31	30	30
	All BASIS Schools	156	3.3	3	3	72	7	21	26	22	24
	Arizona	4,297	2.7	3	NA	52	22	25	25	14	13
	Global	225,729	2.7	3	3	52	24	24	25	14	13
US History	Scottsdale	24	4.3	4	5	96	0	4	13	37	46
	Tucson	35	3.5	4	4	80	0	20	23	43	14
	All BASIS Schools	59	3.8	4	4	87	0	13	19	41	27
	Arizona	6,124	2.6	2	2	49	24	27	20	19	10
	Global	406,037	2.8	3	2	53	20	27	21	21	11
All Tests	Oro Valley	63	2.6	2	2	43	19	38	21	10	13
	Scottsdale	390	4.0	4	5	94	3	3	23	31	41
	Tucson	449	3.7	4	5	83	4	13	24	26	32
	Scottsdale and Tucson	839	3.9	4	5	88	3	8	24	28	36
	All BASIS Schools	902	3.8	4	5	85	4	11	24	27	34
	Arizona	36,258	2.8	3	3	56	21	23	25	18	13
	Global	2,908,983	2.9	3	3	58	21	21	23	20	15

2011 IGCSE Results for BASIS Schools

Subject	School		A*	A	B	C	D	E	F	G
Chemistry	Scottsdale	Number			3	1	8	5		
		Percent			18	6	47	29		
Economics	Scottsdale	Number	2	5	13	8	7	3	3	0
		Percent	5	12	32	20	17	7	7	0
	Tucson	Number	3	3	3	3	6	3	2	1
		Percent	13	13	13	13	25	13	8	4
	Both	Number	5	8	16	11	13	6	5	1
		Percent	8	12	25	17	20	9	8	2
English	Scottsdale	Number	6	17	31	25	10	6		
		Percent	6	18	33	26	11	6		
	Tucson	Number	2	8	24	39	16	10		
		Percent	2	8	24	39	16	10		
	Both	Number	8	25	55	64	26	16		
		Percent	4	13	28	33	13	8		
History	Scottsdale	Number		0	0	8	3	6	11	2
		Percent		0	0	27	10	20	37	7
	Tucson	Number		3	2	1	2	2	1	0
		Percent		27	18	9	18	18	9	0
	Both	Number		3	2	9	5	8	12	2
		Percent		7	5	22	12	20	29	5
Mathematics	Scottsdale	Number	15	26	29	16	8	0		
		Percent	16	27	30	17	8	0		
	Tucson	Number	1	14	21	36	11	14		
		Percent	1	14	20	35	10	13		
	Both	Number	16	40	50	52	19	14		
		Percent	8	20	25	26	10	7		

2011 IGCSE Results for BASIS Schools

Subject	School		Tests Taken	Tests Scored	Scoring A*-C	Scoring A*-C		Scoring G or Better
						Provisional Global Results June 2010	Provisional Global Results June 2010	
Chemistry	Scottsdale	Number	30	17	4	NA	17	NA
		Percent	100	57	24	77	100	99
Economics	Scottsdale	Number	49	41	28	NA	41	NA
		Percent	100	84	68	73	100	97
	Tucson	Number	24	24	12	NA	24	NA
		Percent	100	100	50	73	100	97
	Both	Number	73	65	40	NA	65	NA
		Percent	100	89	62	73	100	97
English	Scottsdale	Number	96	95	79	NA	95	NA
		Percent	100	99	83	81	100	98
	Tucson	Number	105	101	73	NA	99	NA
		Percent	100	96	72	81	98	98
	Both	Number	201	196	152	NA	194	NA
		Percent	100	98	78	81	99	98
History	Scottsdale	Number	40	30	8	NA	30	NA
		Percent	100	75	27	75	100	99
	Tucson	Number	11	11	6	NA	11	NA
		Percent	100	100	55	75	100	99
	Both	Number	51	41	14	NA	41	NA
		Percent	100	80	34	75	100	99
Mathematics	Scottsdale	Number	96	95	86	NA	94	NA
		Percent	100	99	90	75	99	95
	Tucson	Number	105	103	72	NA	97	NA
		Percent	100	98	70	75	94	95
	Both	Number	201	198	158	NA	191	NA
		Percent	100	99	80	75	96	95

2011 AIMS Results for BASIS Schools

Subject	Grades	School	Percent Exceeding	Rank of Percent Exceeding	Percent Passing	Rank of Percent Passing
Math	5th-8th	Arizona	23		59	
		BASIS Scottsdale	88	2	99	3
		BASIS Tucson	76	4	98	5
		BASIS Oro Valley	66	8	96	9
	Middle School	Arizona	23		58	
		BASIS Scottsdale	92	2	99	2
		BASIS Tucson	81	4	99	2
		BASIS Oro Valley	70	7	96	10
	High School	Arizona	21		60	
		BASIS Scottsdale	100	1	100	1
		BASIS Tucson	97	2	100	1
		BASIS Oro Valley	75	7	94	16
Reading	5th-8th	Arizona	10		78	
		BASIS Scottsdale	44	3	99	8
		BASIS Tucson	36	5	100	1
		BASIS Oro Valley	24	51	98	22
	Middle School	Arizona	10		78	
		BASIS Scottsdale	48	2	99	7
		BASIS Tucson	38	7	100	1
		BASIS Oro Valley	28	16	98	17
	High School	Arizona	12		78	
		BASIS Scottsdale	78	1	100	1
		BASIS Tucson	63	3	100	1
		BASIS Oro Valley	44	11	100	1
Writing	5th-8th	Arizona	6		55	
		BASIS Oro Valley	37	2	92	15
		BASIS Scottsdale	32	5	95	5
		BASIS Tucson	11	152	92	15
	Middle School	Arizona	7		55	
		BASIS Scottsdale	42	3	96	4
		BASIS Oro Valley	36	5	93	10
		BASIS Tucson	17	37	95	6
	High School	Arizona	5		68	
		BASIS Scottsdale	53	1	100	1
		BASIS Tucson	32	3	98	10
		BASIS Oro Valley	31	4	100	1
Science	5th-8th	Arizona	39		63	
		BASIS Tucson	99	1	100	1
		BASIS Scottsdale	99	1	100	1
		BASIS Oro Valley	82	12	96	19
	High School	Arizona	24		49	
		BASIS Oro Valley	100	1	100	1
		BASIS Scottsdale	98	2	100	1
		BASIS Tucson	93	3	100	1

Attachment 24: Indiana School Financials

This attachment is not applicable to BASIS Indianapolis, as we have not operated any schools in Indiana over the last three years.

BASIS SCHOOL, INC.

**Financial Statements
and
Auditors' Reports**

Year Ended June 30, 2010

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Fester & Chapman P.C.

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of BASIS School, Inc. (the Firm), a nonprofit organization, as of June 30, 2010, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Firm's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BASIS School, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2010, on our consideration of the Firm's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Firm taken as a whole. The accompanying supplementary schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fester & Chapman P.C.

October 8, 2010

BASIS SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Current Assets	
Cash and cash equivalents	\$ 910,720
Accounts receivable	25,624
Prepaid expenses	73,680
Due from governmental entities	76,182
Other accrued revenues	19,008
Restricted cash - prepaid interest	325,597
Restricted cash - operating reserve	496,395
Other current assets	24,445
Total Current Assets	<u>1,951,651</u>
Noncurrent Assets	
Loan issuance costs, net of accumulated amortization of \$88,554	918,696
Restricted cash - project funds	1,791,190
Property and equipment - net	15,423,236
Other noncurrent assets	5,000
Total Noncurrent Assets	<u>18,138,122</u>
Total Assets	<u>\$20,089,773</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current Liabilities	
Accounts payable and accrued expenses	\$ 76,004
Accrued construction costs	1,004,331
Deferred revenues	26,450
Deposits held for others	422,365
Due to government	353
Current maturities of long-term debt	188,102
Total Current Liabilities	<u>1,717,605</u>
Noncurrent Liabilities	
Long-term debt, net of current maturities	19,030,000
Total Liabilities	<u>20,747,605</u>
Net Assets	
Unrestricted (deficit)	(962,908)
Temporarily restricted	305,076
Total Net Assets (Deficit)	<u>(657,832)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$20,089,773</u>

The accompanying notes are an integral part of these statements.

BASIS SCHOOL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
State Equalization	\$ 6,036,483		\$ 6,036,483
Federal grants	1,724,708		1,724,708
State grants	393,692		393,692
Extra-curricular activities fees tax credit		\$ 151,571	151,571
Special events		543,021	543,021
less cost of direct benefits to donors		(43,060)	(43,060)
Other revenue	375,240		375,240
Net assets released from restriction	<u>620,073</u>	<u>(620,073)</u>	
Total Revenue and Support	<u>9,150,196</u>	<u>31,459</u>	<u>9,181,655</u>
Program Services Expenses			
Salaries and wages, leased employees	3,902,122		3,902,122
Pension plan contributions, leased employees	164,622		164,622
Other employee benefits, leased employees	325,518		325,518
Payroll taxes, leased employees	319,437		319,437
Management fees	829,440		829,440
Legal fees	22,220		22,220
Other services fees	231,120		231,120
Advertising and promotion	5,075		5,075
Office expenses	255,053		255,053
Information technology	54,371		54,371
Occupancy	278,578		278,578
Travel	19,811		19,811
Conferences and meetings	4,503		4,503
Depreciation	433,962		433,962
Insurance	29,331		29,331
Other expenses	<u>112,742</u>		<u>112,742</u>
Total Program Services Expenses	<u>6,987,905</u>		<u>6,987,905</u>
Management and General Expenses			
Management fees	898,560		898,560
Legal fees	27,685		27,685
Accounting fees	14,590		14,590
Other services fees	11,247		11,247
Conferences and meetings	684		684
Interest	976,380		976,380
Amortization	26,131		26,131
Insurance	6,201		6,201
Other expenses	<u>30,447</u>		<u>30,447</u>
Total Management and General Expenses	<u>1,991,925</u>		<u>1,991,925</u>
Fundraising Expenses			
Professional fees	37,988		37,988
Other expenses	<u>23,936</u>		<u>23,936</u>
Total Fundraising Expenses	<u>61,924</u>		<u>61,924</u>
Total Expenses	<u>9,041,754</u>		<u>9,041,754</u>
Change in Net Assets	108,442	31,459	139,901
Net Assets (Deficit), July 1, 2009	<u>(1,071,350)</u>	<u>273,617</u>	<u>(797,733)</u>
Net Assets (Deficit), June 30, 2010	<u>\$ (962,908)</u>	<u>\$ 305,076</u>	<u>\$ (657,832)</u>

The accompanying notes are an integral part of these statements.

BASIS SCHOOL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010

Cash Flows From Operating Activities:

Change in net assets (deficit) \$ 139,901

Adjustments to reconcile change in net assets to
net cash provided by operating activities:

Depreciation	433,962
Amortization of loan issuance costs	26,131
Changes in:	
Accounts receivable	(14,465)
Prepaid expenses	(66,379)
Due from governmental entities	(17,967)
Other accrued revenues	33,993
Other assets	(29,445)
Accounts payable and accrued expenses	42,573
Deferred revenues	4,350
Deposits held for others	210,850
Other current liabilities	<u>353</u>

Net cash provided by operating activities 763,857

Cash Flows From Investing Activities:

(Deposits to)/withdrawals from restricted cash	(1,910,413)
Sale of property and equipment	7,144
Purchase of property and equipment	<u>(3,031,633)</u>

Net cash used for investing activities (4,934,902)

Cash Flows From Financing Activities:

Proceeds from loan	4,809,140
Principal payments on long-term debt	<u>(174,381)</u>

Net cash provided by financing activities 4,634,759

Net increase in cash and cash equivalents 463,714

Cash and cash equivalents, July 1, 2009 447,006

Cash and cash equivalents, June 30, 2010 \$ 910,720

Supplemental data:

Cash paid for interest on long-term debt \$ 976,380

Capitalized interest \$ 120,846

The accompanying notes are an integral part of these statements.

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS School, Inc. (the Firm), an Arizona not-for-profit organization, was formed in fiscal year 1998-99 and opened BASIS School - Tucson that year. In fiscal year 2003-04, the Firm opened BASIS School - Scottsdale. To efficiently manage the two schools, the Firm entered into a management services agreement with BASIS Educational Group Inc. (BEG, a related party) on June 25, 2009. The Firm provides educational services to students in fifth through twelfth grades. The Firm operates under three charter contracts with the Arizona State Board for Charter Schools, which mandates policy and operational guidelines. Subsequent to year-end, the Firm opened BASIS School - Oro Valley and plans to open three additional schools in fiscal year 2011-12.

The significant accounting policies of the Firm are as follows:

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, 2010.

Use of Estimates: In preparing financial statements in conformity with U.S. generally accepted accounting principles, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Due from Governmental Entities: Due from government consists mainly of state approved payments to the Firm to operate the charter schools. The Firm has never experienced any losses due to non-payment, and therefore has not established an

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Continued
allowance.

Property and Equipment: Land, buildings and improvements and leasehold improvements with an initial cost of \$3,000 or more, and vehicles, furniture and equipment with an initial cost of \$300 or more, with an estimated life of one year or more, are capitalized. Textbooks with an estimated life of one year or more are capitalized. Assets are stated at cost. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the respective assets.

The estimated lives used in determining depreciation and amortization are:

Buildings and improvements	40 years
Vehicles, furniture and equipment	3-5 years
Textbooks	3 years
Leasehold improvements	life of the lease

Income Taxes: The Firm is exempt from federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code, and from Arizona income taxes under Section 43-147(a)(4) of the Arizona Revised Statutes.

Advertising: Advertising costs are expensed as incurred.

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

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

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 - RESTRICTED CASH

Restricted cash consists of required deposits associated with the long-term debt (see note 5). Operating reserve - initial funds may be used if normal operations of the Firm become impaired. Project funds may be used solely to complete construction on the Oro Valley campus. The accounts are held by U.S. Bank National Association as trustee. Restricted cash as of June 30, 2010 is as follows:

<u>Series 2006 Bond</u>	
Operating reserve - initial	\$ 140,287
<u>Series 2007 Bond</u>	
Operating reserve - initial	236,442
<u>Series 2010 Bond</u>	
Project funds	1,791,190
Operating reserve - initial	<u>119,666</u>
Total	<u>\$ 2,287,585</u>

NOTE 3 - CONCENTRATION OF CREDIT RISK

At June 30, 2010, the Firm had deposits of \$719,268 in excess of Federal Deposit Insurance Corporation at one financial institution, located in Tucson, Arizona. The Firm has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2010 consists of the following:

Land and improvements	\$ 4,689,668
Buildings and leasehold improvements	8,669,444
Vehicles, furniture and equipment	918,968
Textbooks	260,471
Construction in progress	<u>2,567,182</u>
Total	17,105,733
Less accumulated depreciation	<u>1,682,497</u>
Property and equipment, net	<u>\$15,423,236</u>

Depreciation for the year ended June 30, 2010 totaled \$433,962.

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2010:

Education Revenue Bonds (Series 2006) were issued by the Industrial Development Authority of Pima County, Arizona, in the aggregate principal amount of \$5,155,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated May 1, 2006. The loan matures over 30 years with an effective interest rate of approximately 8.09%. Monthly principal and interest payments vary, and principal payments range from a minimum of \$5,000 to a maximum of \$43,333. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land buildings and to fund improvements; (ii) to fund a debt service reserve fund; (iii) for the payment of loan issuance costs; and (iv) extinguishment of the outstanding Series 2004 Education Revenue Bonds. The loan is secured by a deed of trust on real property and through assignment of State Equalization revenues of the Firm.

\$ 4,970,000

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 5 - LONG-TERM DEBT - Continued

Education Revenue Bonds (Series 2007) were issued by the Industrial Development Authority of Pima County, Arizona, in the aggregate principal amount of \$9,000,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2007. The loan matures over 30 years with an effective interest rate of approximately 7.79%. Monthly principal and interest payments vary, and principal payments range from a minimum of \$8,333 to a maximum of \$106,250. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land buildings and to fund improvements; (ii) to fund a debt service reserve fund; and, (iii) for the payment of loan issuance costs. The loan is secured by a deed of trust on real property and through assignment of State Equalization revenues of the Firm.

8,795,000

Education Revenue Bonds (Series 2010) were issued by the Industrial Development Authority of the Town of Florence, Inc. in the aggregate principal amount of \$5,450,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated March 1, 2010. The loan matures over 30 years with an effective interest rate of approximately 7.75%. Monthly principal and interest payments vary, and principal payments range from a minimum of \$4,583 to a maximum of \$45,833. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land buildings and to fund improvements; (ii) to fund a debt service reserve fund; and, (iii) for the payment of loan issuance costs. The loan is secured by a deed of trust on real property and through assignment of State Equalization revenues of the Firm.

5,450,000

\$20,047 note payable for the purchase of a school vehicle, maturing January 2011. Note is due in 60 installments of \$398, which includes interest at 7.24%

3,102

Total

19,218,102

Less current maturities

188,102
\$ 19,030,000

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 5 - LONG-TERM DEBT - Continued

The aggregate future minimum payments on long-term debt as of June 30, 2010, are as follows:

Year ending June 30:	
2011	\$ 188,102
2012	250,000
2013	270,000
2014	290,000
2015	300,000
Thereafter	<u>17,920,000</u>
	<u>\$19,218,102</u>

NOTE 6 - OPERATING LEASES

The Firm has various operating leases for copier equipment, expiring in fiscal year 2011-2012 and 2012-2013. Rental expense for those leases was \$13,050 for the year ended June 30, 2010. Future minimum operating lease commitments are as follows:

Year ending June 30:	
2011	\$ 32,052
2012	29,040
2013	<u>16,164</u>
	<u>\$ 77,256</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 are restricted for use in BASIS - Scottsdale and BASIS - Tucson master teacher programs.

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 - 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:

On June 25, 2009, the Firm entered into a 10-year agreement with BASIS Educational Group, Inc. (BEG, a related party) to provide charter school management, teaching services and administrative services. The Firm paid BEG \$1,767,000 during the fiscal year ended June 30, 2010. The subsequent years' fees will be adjusted for cost-of-living and other nongovernmental revenue growth adjustments. In addition, under the agreement the Firm leased all teachers and non-management on-site personnel from BEG.

In March 2010, the Firm began construction of the Oro Valley campus. As of June 30, 2010, the Firm had \$2,567,182 in construction in progress related to the new campus, with remaining commitments of approximately \$798,000 to complete the project.

NOTE 9 - ECONOMIC DEPENDENCY

Approximately 87% of the Firm's revenue for the year ended June 30, 2010 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. 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.

NOTE 10 - RELATED PARTY

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

Under terms of the management agreement, the Firm paid BEG \$4,711,699 for leased employee costs and \$1,767,000 in management services fees. No amounts were due to BEG at year-end.

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 11 - SUBSEQUENT EVENTS

The Firm has evaluated subsequent events through October 8, 2010, 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, 2010 that would require an adjustment to or disclosure in the financial statements.

**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
BASIS School, Inc.
Scottsdale, Arizona

We have audited the financial statements of BASIS School, Inc. (the Firm), a nonprofit organization as of and for the year ended June 30, 2010, and have issued our report thereon dated October 8, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Firm's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Firm's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Firm's internal control over financial reporting.

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 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. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Firm's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Firm's financial statements are free of 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*.

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

Fester & Chapman P.C.

October 8, 2010

SUPPLEMENTARY INFORMATION

BASIS SCHOOL, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

<u>ASSETS</u>	<u>BSI Central</u>	<u>BASIS School - Tucson</u>	<u>BASIS School - Scottsdale</u>	<u>BASIS School - Oro Valley</u>	<u>Totals</u>
Current Assets					
Cash and cash equivalents	\$ 135,777	\$ 288,140	\$ 486,803		\$ 910,720
Accounts receivable	1,401	11,815	12,408		25,624
Prepaid expenses	528	3,806	4,732	\$ 64,614	73,680
Due from governmental entities		40,312	35,870		76,182
Other accrued revenues		435	18,200	373	19,008
Restricted cash - prepaid interest				325,597	325,597
Restricted cash - operating reserve		140,287	236,442	119,666	496,395
Other current assets		22,625	1,820		24,445
Total Current Assets	<u>137,706</u>	<u>507,420</u>	<u>796,275</u>	<u>510,250</u>	<u>1,951,651</u>
Noncurrent Assets					
Loan issuance costs, net of accumulated amortization of \$88,554		266,589	339,909	312,198	918,696
Restricted cash				1,791,190	1,791,190
Property and equipment - net		4,264,977	7,239,021	3,919,238	15,423,236
Other noncurrent assets				5,000	5,000
Total Noncurrent Assets		<u>4,531,566</u>	<u>7,578,930</u>	<u>6,027,626</u>	<u>18,138,122</u>
Total Assets	<u>\$ 137,706</u>	<u>\$ 5,038,986</u>	<u>\$ 8,375,205</u>	<u>\$ 6,537,876</u>	<u>\$ 20,089,773</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>					
Current Liabilities					
Accounts payable and accrued expenses	\$ 7,064	\$ 41,940	\$ 27,000		\$ 76,004
Accrued construction costs				\$ 1,004,331	1,004,331
Deferred revenues		8,550	17,900		26,450
Deposits held for others		175,805	148,135	98,425	422,365
Due to government		69	70	214	353
Current maturities of long term debt		73,102	115,000		188,102
Other current liabilities *	(83,813)	7,452	77,893	(1,532)	
Total Current Liabilities	<u>(76,749)</u>	<u>306,918</u>	<u>385,998</u>	<u>1,101,438</u>	<u>1,717,605</u>
Noncurrent Liabilities					
Long-term debt, net of current maturities		4,900,000	8,680,000	5,450,000	19,030,000
Total Liabilities	<u>(76,749)</u>	<u>5,206,918</u>	<u>9,065,998</u>	<u>6,551,438</u>	<u>20,747,605</u>
Net Assets					
Unrestricted (deficit)	214,455	(254,076)	(909,725)	(13,562)	(962,908)
Temporarily restricted		86,144	218,932		305,076
Total Net Assets (Deficit)	<u>214,455</u>	<u>(167,932)</u>	<u>(690,793)</u>	<u>(13,562)</u>	<u>(657,832)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 137,706</u>	<u>\$ 5,038,986</u>	<u>\$ 8,375,205</u>	<u>\$ 6,537,876</u>	<u>\$ 20,089,773</u>

* Amounts include inter-school borrowing for the purpose of the Combining Statement of Financial Position

BASIS SCHOOL, INC.
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	BSI Central			BASIS School Tucson			BASIS School Scottsdale			BASIS School Oro Valley			Totals		
	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Graud Total
Revenue and Support															
State Equalization	\$ 3,206,581		\$ 3,206,581	\$ 2,829,902		\$ 2,829,902	\$ 76,421		\$ 76,421	\$ 6,036,483		\$ 6,036,483			\$ 6,036,483
Federal grants	869,337		869,337	778,950		778,950	1,724,708		1,724,708	1,724,708		1,724,708			1,724,708
State grants	206,900		206,900	186,792		186,792	393,692		393,692	393,692		393,692			393,692
Extra-curricular activities fees tax credit		\$ 73,546	73,546		\$ 78,025	78,025				151,571		151,571			151,571
Fundraising contributions		99,488	99,488		429,833	429,833				529,321		529,321			529,321
Fundraising events gross revenue					13,700	13,700				13,700		13,700			13,700
less cost of direct benefits to donors					(43,060)	(43,060)				(43,060)		(43,060)			(43,060)
Other revenue	61		125,227	248,098		248,098	1,854		1,854	375,240		375,240			375,240
Net assets released from restriction		(158,574)	(158,574)	461,549		461,549				620,073		620,073			620,073
Total Revenue and Support	61	4,566,569	4,581,079	4,505,291	16,949	4,522,240	78,275	(461,549)	78,275	9,150,196	(620,073)	9,181,655	31,459	31,459	9,181,655
Program Services Expenses															
Salaries and wages, leased employees	1,934,189		1,934,189	1,928,488		1,928,488	39,445		39,445	3,902,122		3,902,122			3,902,122
Pension plan contributions, leased employees	87,305		87,305	77,317		77,317	8,770		8,770	164,622		164,622			164,622
Other employee benefits, leased employees	158,574		158,574	158,174		158,174				325,518		325,518			325,518
Payroll taxes, leased employees	163,392		163,392	156,045		156,045				319,437		319,437			319,437
Management fees	431,539		431,539	397,901		397,901				829,440		829,440			829,440
Legal fees	50		50	22,170		22,170				22,220		22,220			22,220
Other services fees	111,291		111,291	110,186		110,186	9,643		9,643	231,120		231,120			231,120
Advertising and promotion	1,969		1,969	1,771		1,771	1,335		1,335	5,075		5,075			5,075
Office expenses	125,295		125,295	129,758		129,758				255,053		255,053			255,053
Information technology	17,780		17,780	36,591		36,591				54,371		54,371			54,371
Occupancy	128,177		128,177	150,401		150,401				278,578		278,578			278,578
Travel	14,486		14,486	5,325		5,325				19,811		19,811			19,811
Conferences and meetings	3,045		3,045	1,458		1,458				4,503		4,503			4,503
Depreciation	190,738		190,738	242,047		242,047				433,962		433,962			433,962
Insurance	16,483		16,483	12,848		12,848				29,331		29,331			29,331
Other expenses	36,219		36,219	73,580		73,580	2,943		2,943	112,742		112,742			112,742
Total Program Services Expenses	1,177	3,420,532	3,420,532	3,504,060	3,504,060	3,504,060	62,136	62,136	62,136	6,987,905	6,987,905	6,987,905	6,987,905	6,987,905	6,987,905

BASIS SCHOOL, INC.
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	BASIS School Tucson			BASIS School Scottsdale			BASIS School Oro Valley			Totals		
	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Grand Total
Management and General Expenses												
Management fees			467,501	431,059		431,059				898,560		898,560
Legal fees	27,685									27,685		27,685
Accounting fees		7,295	7,295	7,295		7,295				14,590		14,590
Other services fees	11,247									11,247		11,247
Conferences and meetings	684									684		684
Interest			362,005	613,750		613,750	625		625	976,380		976,380
Amortization			10,321	12,745		12,745	3,065		3,065	26,131		26,131
Insurance	6,201									6,201		6,201
Other expenses	4,436									30,447		30,447
Total Management and General	50,253	847,122	847,122	1,064,849	1,064,849	1,064,849	29,701	29,701	29,701	1,991,925		1,991,925
Fundraising Expenses												
Professional fees		7,598	7,598	30,390		30,390				37,988		37,988
Other expenses		8,444	8,444	15,492		15,492				23,936		23,936
Total Fundraising Expenses		16,042	16,042	45,882		45,882				61,924		61,924
Total Expenses	51,430	4,283,696	4,283,696	4,614,791	4,614,791	4,614,791	91,837	91,837	91,837	9,041,754		9,041,754
Change in Net Assets	(51,369)	282,873	297,383	(109,500)	16,949	(92,551)	(13,562)	(13,562)	(13,562)	108,442	31,459	139,901
Net Assets (Deficit), July 1, 2009	265,824	(536,949)	(465,315)	(800,225)	201,983	(598,242)				(1,071,350)	273,617	(797,733)
Net Assets (Deficit), June 30, 2010	\$ 214,455	\$ (254,076)	\$ (167,932)	\$ (909,725)	\$ 218,932	\$ (690,793)	\$ (13,562)	\$ (13,562)	\$ (13,562)	\$ (962,908)	\$ 305,076	\$ (657,832)

BASIS SCHOOL, INC.
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010

	<u>BSI Central</u>	<u>BASIS School - Tucson</u>	<u>BASIS School - Scottsdale</u>	<u>BASIS School - Oro Valley</u>	<u>Totals</u>
Cash Flows From Operating Activities:					
Change in net assets (deficit)	\$ (51,369)	\$ 297,383	\$ (92,551)	\$ (13,562)	\$ 139,901
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:					
Depreciation	1,177	190,738	242,047		433,962
Amortization of loan issuance costs		10,321	12,745	3,065	26,131
Changes in:					
Accounts receivable	(967)	(9,459)	(4,039)		(14,465)
Prepaid expenses	3,434	(1,693)	(3,507)	(64,613)	(66,379)
Due from governmental entities		(8,803)	(9,164)		(17,967)
Other accrued revenues		24,566	9,800	(373)	33,993
Other assets		(22,625)	(1,820)	(5,000)	(29,445)
Accounts payable and accrued expenses	(67)	32,514	10,126		42,573
Deferred revenues		5,250	(900)		4,350
Deposits held for others		73,750	38,675	98,425	210,850
Other current liabilities	(91,175)	(221,411)	314,257	(1,318)	353
Net cash provided by (used for) operating activities	(138,967)	370,531	515,669	16,624	763,857
Cash Flows From Investing Activities:					
(Deposits to)/withdrawals from restricted cash		163	280	(1,910,856)	(1,910,413)
Sale of property and equipment	5,909	415	820		7,144
Purchase of property and equipment		(99,492)	(17,233)	(2,914,908)	(3,031,633)
Net cash provided by (used for) investing activities	5,909	(98,914)	(16,133)	(4,825,764)	(4,934,902)
Cash Flows From Financing Activities:					
Proceeds from loans				4,809,140	4,809,140
Principal payments on long-term debt	(7,483)	(61,898)	(105,000)		(174,381)
Net cash provided by (used for) financing activities	(7,483)	(61,898)	(105,000)	4,809,140	4,634,759
Net increase (decrease) in cash and cash equivalents	(140,541)	209,719	394,536		463,714
Cash and cash equivalents, July 1, 2009	276,319	78,426	92,261		447,006
Cash and cash equivalents, June 30, 2010	\$ 135,778	\$ 288,145	\$ 486,797	\$	\$ 910,720
Supplemental data:					
Cash paid for interest on long-term debt	\$	\$ 362,005	\$ 613,750	\$ 625	\$ 976,380
Capitalized interest	\$	\$	\$	\$ 120,846	\$ 120,846

BASIS School, Inc.

MASTER TEACHER PROGRAM SUMMARY

July 2009 through June 2010

	<u>Tucson</u>	<u>Scottsdale</u>	<u>Total</u>
Beginning Balance, July 1, 2009	\$ 71,634	\$ 201,983	\$ 273,617
MT Camp 09/10 Receipts			
Craig & Barbara Barrett Foundation Contribution		150,000	150,000
Other Contributions	84,944	263,538	348,482
Pledges	14,544	16,295	30,839
Non Deductible Fundraising Events Gross Revenues		13,700	13,700
Total Gross Proceeds	<u>99,488</u>	<u>443,533</u>	<u>543,021</u>
Expenses - MT Camp 09/10			
Fundraising Events Direct Costs		42,978	42,978
Other Fundraising Expenses	16,042	45,964	62,006
Total Fundraising Expenses	<u>16,042</u>	<u>88,942</u>	<u>104,984</u>
Total Net Fundraising 09/10	<u>83,446</u>	<u>354,591</u>	<u>438,037</u>
Expended on Teacher Salaries in 09/10 - MT Supplements	44,557	312,196	356,753
Expended on Teacher Salaries in 09/10 - UHC Supplements	24,379	25,446	49,825
Total Expended on Teacher Salaries in 09/10	<u>68,936</u>	<u>337,642</u>	<u>406,578</u>
Ending Balance, June, 2010 - Available for Teacher Salaries in 10/11	<u>\$ 86,144</u>	<u>\$ 218,932</u>	<u>\$ 305,076</u>

BASIS School, Inc.

DEBT SERVICE COVERAGE RATIO

Year Ended June 30, 2010

Covenants

Article VIII, Special Covenants, Section 8.04 Audits

Debt Service Coverage Ratio. The Borrower will deliver to the Issuer, the Trustee, the Bondholder Representative and each Significant Bondholder within 30 days of the completion of the Borrower's annual audited financial statements, a Certificate executed by the Borrower stating the Debt Service Coverage Ratio.

	<u>Series 2006</u>	<u>Series 2007</u>
Net income available for debt service:		
Pledged revenue	\$ 9,103,380	
Interest earnings	-	
Total operating expenses:	<u>\$ 8,949,917</u>	
Net income (loss)	153,463	
Add: depreciation	433,962	
Add: amortization	26,131	
Add: non-cash expenses	-	
Add: interest expense	<u>975,755</u>	
Add: revenues paid by Firm, not from pledged revenues	1,589,311	
Add back:		
Extraordinary items	-	
Gain/loss on extinguishment of debt	-	
Proceeds of new debt	-	
Proceeds of insurance policies	-	
Net income available for debt service:	<u>1,589,311</u>	
Maximum annual debt service requirement:		
Highest principal and interest	<u>Year 2017-18 \$ 420,550</u>	<u>Year 2026-27 \$ 1,129,425</u>
DEBT SERVICE COVERAGE RATIO:	<u>3.8</u>	<u>1.4</u>

NOTE 1: In fiscal year 2009-10 BASIS Schools, Inc. received \$5,450,000 pursuant to a loan agreement with the Industrial Development Authority of the Town of Florence, Inc., which issued Series 2010 Bonds dated March 1, 2010 to fund the loan. The debt service coverage ratio requirement (DSCR) contained in the Series 2010 loan agreement is similar to the requirements in the Series 2006 and 2007 loan agreements. However, the Series 2010 loan agreement requires that revenues and expenses derived from the Oro Valley campus are to be used solely to determine compliance with the DSCR. The Oro Valley campus did not commence operations until fiscal year 2010-11, therefore, the DSCR calculation will be presented separately in subsequent periods.

NOTE 2: Pursuant to the Series 2006 and 2007 loan agreements' definition of "Pledged Revenue" and "Operating Expenses", only the revenues and expenses of the BASIS - Scottsdale and BASIS - Tucson campuses are used to determine compliance with the debt service coverage ratio requirement.

BASIS SCHOOL, INC.

**Financial Statements
and
Auditors' Reports**

Year Ended June 30, 2009

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Accountants

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of BASIS School, Inc. (the Firm, a nonprofit organization) as of June 30, 2009, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Firm's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BASIS School, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009, on our consideration of the Firm's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Firm taken as a whole. The accompanying supplementary schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Foster & Chapman P.C.

October 30, 2009

BASIS SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Current Assets		
Cash and cash equivalents	\$	447,006
Restricted cash		377,172
Accounts receivable		11,158
Prepaid expenses		7,302
Due from governmental entities		58,218
Other accrued revenues		53,000
Total Current Assets		<u>953,856</u>
Noncurrent Assets		
Loan issuance cost, net of accumulated amortization of \$69,565		629,564
Property and equipment - net		11,828,376
Total Noncurrent Assets		<u>12,457,940</u>
Total Assets	\$	<u><u>13,411,796</u></u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current Liabilities		
Accounts payable and accrued expenses	\$	33,431
Deferred revenues		22,100
Deposits held for others		211,515
Current maturities of long term debt		174,409
Total Current Liabilities		<u>441,455</u>
Noncurrent Liabilities		
Long-term debt, net of current maturities		13,768,074
Total Liabilities		<u>14,209,529</u>
Net Assets		
Unrestricted (deficit)		(1,071,350)
Temporarily restricted		273,617
Total Net Assets (Deficit)		<u>(797,733)</u>
Total Liabilities and Net Assets (Deficit)	\$	<u><u>13,411,796</u></u>

BASIS SCHOOL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
State Equalization	\$ 6,635,281		\$ 6,635,281
State grants	431,530		431,530
Federal grants	73,567		73,567
Extra-curricular activities fees tax credit		\$ 127,283	127,283
Special event		517,210	517,210
less cost of direct benefits to donors		(41,607)	(41,607)
Other revenue	565,879		565,879
Net assets released from restriction	479,554	(479,554)	
Total Revenue and Support	<u>8,185,811</u>	<u>123,332</u>	<u>8,309,143</u>
Program Services Expenses			
Salaries and wages	4,068,257		4,068,257
Pension plan contributions	362,605		362,605
Other employee benefits	237,076		237,076
Payroll taxes	307,288		307,288
Legal fees	4,402		4,402
Other services fees	202,598		202,598
Advertising and promotion	7,888		7,888
Office expenses	271,920		271,920
Information technology	43,501		43,501
Occupancy	436,895		436,895
Travel	69,113		69,113
Conferences and meetings	5,732		5,732
Depreciation	491,808		491,808
Insurance	33,059		33,059
Other expenses	130,961		130,961
Total Program Services Expenses	<u>6,673,103</u>		<u>6,673,103</u>
Management and General Expenses			
Compensation of officers	414,000		414,000
Other salaries and wages	198,500		198,500
Pension plan contributions	57,881		57,881
Other employee benefits	21,211		21,211
Payroll taxes	35,996		35,996
Legal fees	4,399		4,399
Accounting fees	68,967		68,967
Other services fees	52,903		52,903
Office expenses	4,870		4,870
Information technology	2,107		2,107
Travel	817		817
Interest	989,132		989,132
Amortization	23,066		23,066
Insurance	15,053		15,053
Other expenses	6,400		6,400
Total Management and General Expenses	<u>1,895,302</u>		<u>1,895,302</u>
Fundraising Expenses			
Professional fees	20,841		20,841
Other expenses	37,737		37,737
Total Fundraising Expenses	<u>58,578</u>		<u>58,578</u>
Total Expenses	<u>8,626,983</u>		<u>8,626,983</u>
Change in Net Assets	(441,172)	123,332	(317,840)
Net Assets, July 1, 2008	(630,178)	150,285	(479,893)
Net Assets, June 30, 2009	<u>\$ (1,071,350)</u>	<u>\$ 273,617</u>	<u>\$ (797,733)</u>

BASIS SCHOOL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

Cash Flows From Operating Activities:

Change in net assets \$ (317,840)

Adjustments to reconcile change in net assets to
net cash provided by operating activities:

Depreciation	491,808
Amortization of loan issuance costs	23,066
Changes in:	
Accounts receivable	(11,158)
Prepaid items	12,544
Due from governmental entities	91,903
Other accrued revenues	(35,979)
Other assets	52,059
Accounts payable and accrued expenses	(133,441)
Deferred revenues	9,597
Deposits held for others	15,735

Net cash provided by operating activities 198,294

Cash Flows From Investing Activities:

Withdrawals from restricted cash	7,185
Purchase of property and equipment	<u>(89,373)</u>

Net cash used for investing activities (82,188)

Cash Flows From Financing Activities:

Principal payments on long-term debt	<u>(179,528)</u>
Net cash used for financing activities	<u>(179,528)</u>

Net decrease in cash and cash equivalents (63,422)

Cash and cash equivalents, July 1, 2008 510,428

Cash and cash equivalents, June 30, 2009 \$ 447,006

Supplemental data:

Cash paid for interest on long-term debt	<u><u>\$ 989,132</u></u>
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BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS School, Inc. (the Firm) is an Arizona not-for-profit organization formed in fiscal year 1998-99. In fiscal year 1998-99, the Firm opened BASIS School - Tucson. In fiscal year 2003-04, the Firm opened BASIS School - Scottsdale. To efficiently manage the two schools, BASIS Services was created. The two school locations and BASIS Services collectively comprise the Firm. The Firm provides educational services to students in fifth through twelfth grades. The Firm operates under two charter contracts with the Arizona State Board for Charter Schools, which mandates policy and operational guidelines.

The significant accounting policies of the Firm are as follows:

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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, 2009.

Use of Estimates: In preparing financial statements in conformity with U.S. generally accepted accounting principles, 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 SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

Property and Equipment: Land, buildings and improvements and leasehold improvements with an initial cost of \$3,000 or more, and vehicles, furniture and equipment with an initial cost of \$300 or more, with an estimated life of one year or more, are capitalized. Textbooks with an estimated life of one year or more are capitalized. Assets are stated at cost. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the respective assets. The estimated lives used in determining depreciation and amortization are:

Buildings and improvements	40 years
Vehicles, furniture and equipment	3-5 years
Textbooks	3 years
Leasehold improvements	life of the lease

Income Taxes: The Firm is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code, and from Arizona income taxes under Section 43-147(a)(4) of the Arizona Revised Statutes.

Advertising: Advertising costs are expensed as incurred.

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

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

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 - RESTRICTED CASH

Restricted cash consists of required deposits associated with the long-term debt (see note 5) and can be used if normal operations of the Firm become impaired. The accounts are held by Wells Fargo Trust Company as trustee. Restricted cash as of June 30, 2009 is as follows:

<u>Series 2006 Bond</u>	
Operating reserve - initial	\$ 140,450
<u>Series 2007 Bond</u>	
Operating reserve - initial	<u>236,722</u>
Total	<u>\$ 377,172</u>

NOTE 3 - CONCENTRATION OF CREDIT RISK

At June 30, 2009, the Firm had no deposits that exceeded Federal Deposit Insurance Corporation (FDIC) limits. The Firm has not experienced any losses and due to the fact that its deposits are fully insured, it is not exposed to any significant risk, therefore, the Firm has not developed any policies related to collateral.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 consisted of the following:

Land and improvements	\$ 3,368,157
Buildings and improvements	8,642,855
Vehicles, furniture and equipment	866,788
Leasehold improvements	292,134
Textbooks	280,434
Construction in progress	<u>1,655</u>
Total	13,452,023
Less accumulated depreciation	<u>1,623,647</u>
Property and equipment, net	<u>\$11,828,376</u>

Depreciation for the year ended June 30, 2009 totaled \$491,808.

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2009:

Education Revenue Bonds (Series 2006) were issued by the Industrial Development Authority of Pima County, Arizona, in the aggregate principal amount of \$5,155,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated May 1, 2006. The loan matures over 30 years with an effective interest rate of approximately 8.09%. Monthly principal and interest payments vary, and principal payments range from a minimum of \$5,000 to a maximum of \$43,333. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land buildings and to fund improvements; (ii) to fund a debt service reserve fund; (iii) for the payment of loan issuance costs; and (iv) extinguishment of the outstanding Series 2004 Education Revenue Bonds. The loan is secured by a deed of trust on real property and through assignment of State Equalization revenues of the Firm.

\$ 5,035,000

Education Revenue Bonds (Series 2007) were issued by the Industrial Development Authority of Pima County, Arizona, in the aggregate principal amount of \$9,000,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2007. The loan matures over 30 years with an effective interest rate of approximately 7.79%. Monthly principal and interest payments vary, and principal payments range from a minimum of \$8,333 to a maximum of \$106,250. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land buildings and to fund improvements; (ii) to fund a debt service reserve fund; and, (iii) for the payment of loan issuance costs. The loan is secured by a deed of trust on real property and through assignment of State Equalization revenues of the Firm.

8,900,000

\$20,047 note payable for the purchase of a school vehicle, maturing January 2011. Note is due in 60 installments of \$398, which includes interest at 7.24%

7,483

Total

13,942,483

Less current maturities

174,409
\$ 13,768,074

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 5 - LONG-TERM DEBT - Continued

The aggregate future minimum payments on long-term debt as of June 30, 2009, are as follows:

Year ending June 30:	
2010	\$ 174,409
2011	188,074
2012	195,000
2013	210,000
2014	225,000
Thereafter	<u>12,950,000</u>
	<u>\$13,942,483</u>

NOTE 6 - OPERATING LEASE

The Firm has one lease for office space expiring June 30, 2009 and various other operating leases for copier equipment expiring in 2012 and 2013. Rental expense for those leases was \$208,378 for the year ended June 30, 2009. Future minimum operating lease commitments are as follows:

Year ending June 30:	
2010	\$ 32,952
2011	32,952
2012	29,940
2013	<u>8,433</u>
	<u>\$ 104,277</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2009 are restricted for use in BASIS - Scottsdale and BASIS - Tucson master teacher programs.

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 8 - 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.

Commitment: In June 2009, the Firm entered into a 10-year agreement with BASIS Educational Group, Inc. (BEG, a related party) to provide charter school management, teaching services and administrative services, effective July 1, 2009. Fees for management services, including site management services, in fiscal year 2009-2010 will be \$1,767,000. The subsequent years' fees will be adjusted for cost-of-living and other nongovernmental revenue growth adjustments. In addition, under the agreement all teachers and non-management on-site personnel working at the Firm will be employees of BEG and will be leased from BEG.

NOTE 9 - ECONOMIC DEPENDENCY

Approximately 85% of the Firm's revenue for the year ended June 30, 2009 was derived from the State of Arizona through payments of State Equalization, Classroom Site Funds (Proposition 301) and State of Arizona grants. 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 ability to operate.

NOTE 10 - PENSION PLAN

Plan Description: Permanent full-time and certain part-time employees of the Firm participate in a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. A recent report may be obtained by writing the ASRS, 3300 North Central Avenue, PO Box 33910, Phoenix, AZ 85067-3910, or by calling (602) 240-2000 or (800) 621-3778.

BASIS School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 10 - PENSION PLAN - Continued

Funding Policy: The Arizona State Legislature establishes and may amend active plan members' and the Firm's contribution rates. For the year ended June 30, 2009, active plan members and the Firm were each required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent retirement and 0.50 percent long-term disability). The Firm's contributions to the System for the years ended June 30, 2009, 2008 and 2007 were \$420,487, \$362,348 and \$239,201, respectively, which were equal to the required contributions for each year.

Starting in the fiscal year ending June 30, 2010, the Firm's employees will no longer participate in the Arizona State Retirement System. See Note 8.

NOTE 11 - RELATED PARTY

Olga Block, the Firm's Executive Director, and her spouse, Michael Block, maintained active Board member positions throughout the fiscal year. In June 2009, Ms. Block resigned her position on the Board. As Board members, these individuals could influence the financial and operational activities of the Firm through voting authority. The combined voting power of Olga Block and Michael Block, however, did not constitute a majority of the Board of Directors.

**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
BASIS School, Inc.
Scottsdale, Arizona

We have audited the financial statements of BASIS School, Inc. (the Firm, a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Firm's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Firm's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Firm's internal control over financial reporting.

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 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. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Firm's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Firm's financial statements are free of 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*.

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

Fester & Chapman P.C.

October 30, 2009

SUPPLEMENTARY INFORMATION

BASIS SCHOOL, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

	<u>Basis Services*</u>	<u>Basis School - Tucson</u>	<u>Basis School - Scottsdale</u>	<u>Totals</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 276,319	\$ 78,426	\$ 92,261	\$ 447,006
Restricted cash		140,450	236,722	377,172
Accounts receivable	434	2,355	8,369	11,158
Prepaid expenses	3,960	2,112	1,230	7,302
Due from governmental entities		31,509	26,709	58,218
Other accrued revenues		25,000	28,000	53,000
Total Current Assets	<u>280,713</u>	<u>279,852</u>	<u>393,291</u>	<u>953,856</u>
Noncurrent Assets				
Loan issuance cost, net of accumulated amortization of \$32,723 and \$36,842, respectively		276,910	352,654	629,564
Property and equipment - net	7,087	4,356,635	7,464,654	11,828,376
Total Noncurrent Assets	<u>7,087</u>	<u>4,633,545</u>	<u>7,817,308</u>	<u>12,457,940</u>
Total Assets	<u>\$ 287,800</u>	<u>\$ 4,913,397</u>	<u>\$ 8,210,599</u>	<u>\$ 13,411,796</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>				
Current Liabilities				
Accounts payable and accrued expenses	\$ 7,131	\$ 9,426	\$ 16,874	\$ 33,431
Deferred revenues		3,300	18,800	22,100
Deposits held for others		102,055	109,460	211,515
Current maturities of long term debt	4,409	65,000	105,000	174,409
Other current liabilities **	7,362	228,931	(236,293)	0
Total Current Liabilities	<u>18,902</u>	<u>408,712</u>	<u>13,841</u>	<u>441,455</u>
Noncurrent Liabilities				
Long-term debt, net of current maturities	3,074	4,970,000	8,795,000	13,768,074
Total Liabilities	<u>21,976</u>	<u>5,378,712</u>	<u>8,808,841</u>	<u>14,209,529</u>
Net Assets (Deficit)				
Unrestricted (deficit)	265,824	(536,949)	(800,225)	(1,071,350)
Temporarily restricted		71,634	201,983	273,617
Total Net Assets (Deficit)	<u>265,824</u>	<u>(465,315)</u>	<u>(598,242)</u>	<u>(797,733)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 287,800</u>	<u>\$ 4,913,397</u>	<u>\$ 8,210,599</u>	<u>\$ 13,411,796</u>

** Amounts include inter-school borrowing for the purpose of the Combining Statement of Financial Position

BASIS SCHOOL, INC.
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	BASIS Services*		BASIS School Tucson		BASIS School Scottsdale		Eliminations*		Totals	
	Unrestricted	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Grand Total
Revenue and Support										
State Equalization	\$ 3,386,381	\$ 3,386,381	\$ 3,248,900	\$ 3,248,900	\$ 3,248,900	\$ 3,248,900	\$ 6,635,281	\$ 6,635,281	\$ 6,635,281	\$ 6,635,281
State grants	218,939	218,939	212,591	212,591	212,591	212,591	431,530	431,530	431,530	431,530
Federal grants	36,848	36,848	36,719	36,719	36,719	36,719	73,567	73,567	73,567	73,567
Extra-curricular activities fees tax credit		\$ 66,868	\$ 60,415	\$ 60,415	\$ 60,415	\$ 60,415	\$ 127,283	\$ 127,283	\$ 127,283	\$ 127,283
Charges for services *	\$ 1,693,704						\$ (1,693,704)			
Special event			84,512	84,512	432,698	432,698	517,210	517,210	517,210	517,210
less cost of direct benefits to donors			(41,607)	(41,607)	(41,607)	(41,607)	(41,607)	(41,607)	(41,607)	(41,607)
Other revenue	9,316	119,649	436,914	565,879	565,879	565,879	565,879	565,879	565,879	565,879
Net assets released from restriction		79,746	(79,746)		399,808	(399,808)	479,554	479,554	(479,554)	8,309,143
Total Revenue and Support	1,703,020	3,841,563	71,634	3,913,197	4,334,932	51,698	4,386,630	8,185,811	123,332	8,309,143
Program Services Expenses										
Salaries and wages	514,800	1,791,419	1,762,038	1,762,038	1,762,038	1,762,038	4,068,257	4,068,257	4,068,257	4,068,257
Pension plan contributions	48,799	156,155	157,651	157,651	157,651	157,651	362,605	362,605	362,605	362,605
Other employee benefits	18,292	112,605	106,179	106,179	106,179	106,179	237,076	237,076	237,076	237,076
Payroll taxes	39,041	138,777	129,470	129,470	129,470	129,470	307,288	307,288	307,288	307,288
Administrative services *	1,318	851,601	817,041	817,041	817,041	817,041	4,402	4,402	4,402	4,402
Legal fees	34,592	103	2,981	2,981	2,981	2,981	202,598	202,598	202,598	202,598
Other services fees *	7,888	97,433	95,635	95,635	95,635	95,635	7,888	7,888	7,888	7,888
Advertising and promotion	10,248	116,940	144,732	144,732	144,732	144,732	271,920	271,920	271,920	271,920
Office expenses	509	12,196	30,796	30,796	30,796	30,796	43,501	43,501	43,501	43,501
Information technology		97,485	339,410	339,410	339,410	339,410	436,895	436,895	436,895	436,895
Occupancy	55,334	10,816	2,963	2,963	2,963	2,963	69,113	69,113	69,113	69,113
Travel	1,443	3,025	1,264	1,264	1,264	1,264	5,732	5,732	5,732	5,732
Conferences and meetings	2,612	195,462	293,734	293,734	293,734	293,734	491,808	491,808	491,808	491,808
Depreciation	3,574	17,034	12,451	12,451	12,451	12,451	33,059	33,059	33,059	33,059
Insurance	8,330	36,301	86,330	86,330	86,330	86,330	130,961	130,961	130,961	130,961
Other expenses										
Total Program Services Expenses	746,780	3,637,352	3,982,675	3,637,352	3,982,675	(1,693,704)	6,673,103	6,673,103	6,673,103	6,673,103

BASIS SCHOOL, INC.
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	BASIS Services*			BASIS School Tucson			BASIS School Scottsdale			Eliminations*			Totals	
	Unrestricted	Unrestr.	Temp. Restr.	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Subtotal	Unrestr.	Temp. Restr.	Unrestr.	Temp. Restr.	Grand Total
Management and General Expenses														
Compensation of officers	414,000									414,000				414,000
Other salaries and wages	198,500									198,500				198,500
Pension plan contributions	57,881									57,881				57,881
Other employee benefits	21,211									21,211				21,211
Payroll taxes	35,996									35,996				35,996
Legal fees	4,399									4,399				4,399
Accounting fees	53,667	8,175		8,175	7,125	7,125			7,125	68,967				68,967
Other services fees	52,903									52,903				52,903
Office expenses	4,870									4,870				4,870
Information technology	2,107									2,107				2,107
Travel	817									817				817
Interest	705	365,963		365,963	622,464	622,464			622,464	989,132				989,132
Amortization		10,321		10,321	12,745	12,745			12,745	23,066				23,066
Insurance	15,053									15,053				15,053
Other expenses	6,400									6,400				6,400
Total Management and General	868,509	384,459		384,459	642,334	642,334			642,334	1,895,302				1,895,302
Fundraising Expenses														
Professional fees		3,285		3,285	17,556	17,556			17,556	20,841				20,841
Other expenses		9,593		9,593	28,144	28,144			28,144	37,737				37,737
Total Fundraising Expenses		12,878		12,878	45,700	45,700			45,700	58,578				58,578
Total Expenses	1,615,289	4,034,689		4,034,689	4,670,709	4,670,709			4,670,709	8,626,983				8,626,983
Change in Net Assets	87,731	(193,126)	71,634	(121,492)	(335,777)	(284,079)		51,698	(441,172)	123,332				(317,840)
Net Assets, July 1, 2008	178,093	(343,823)		(343,823)	(464,448)	(314,163)		150,285	(630,178)	150,285				(479,893)
Net Assets, June 30, 2009	\$ 265,824	\$ (536,949)	\$ 71,634	\$ (465,315)	\$ (800,225)	\$ (598,242)		\$ 201,983	\$ (1,071,350)	\$ 273,617				\$ (797,733)

* BASIS School - Tucson and BASIS School - Scottsdale pay 25% of state aid and 25% of unrestricted extracurricular revenues to BASIS Services for administrative services and a part of SPED services; therefore, these transactions are eliminated.

BASIS SCHOOL, INC.
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

	<u>BASIS Services *</u>	<u>BASIS School - Tucson</u>	<u>BASIS School - Scottsdale</u>	<u>Totals</u>
Cash Flows From Operating Activities:				
Change in net assets	\$ 87,731	\$ (121,492)	\$ (284,079)	\$ (317,840)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:				
Depreciation	2,612	195,462	293,734	491,808
Amortization of loan issuance costs		10,321	12,745	23,066
Changes in:				
Accounts receivable	(434)	(2,355)	(8,369)	(11,158)
Prepaid items	(3,960)	(1,523)	18,027	12,544
Due from governmental entities		13,859	78,044	91,903
Other accrued revenues	2,081	(20,409)	(17,651)	(35,979)
Other assets	20,118	5,416	26,525	52,059
Accounts payable and accrued expenses	(143,234)	4,846	4,947	(133,441)
Deferred revenues		3,300	6,297	9,597
Deposits held for others		17,667	(1,932)	15,735
Other current liabilities	(119,994)	13,447	106,547	
Net cash provided by (used for) operating activities	(155,080)	118,539	234,835	198,294
Cash Flows From Investing Activities:				
Withdrawals from restricted cash		2,980	4,205	7,185
Purchase of property and equipment	(4,259)	(25,600)	(59,514)	(89,373)
Net cash used for investing activities	(4,259)	(22,620)	(55,309)	(82,188)
Cash Flows From Financing Activities:				
Principal payments on long-term debt	(4,074)	(60,000)	(115,454)	(179,528)
Net cash used for financing activities	(4,074)	(60,000)	(115,454)	(179,528)
Net increase (decrease) in cash and cash equivalents	(163,413)	35,919	64,072	(63,422)
Cash and cash equivalents, July 1, 2008	439,732	42,507	28,189	510,428
Cash and cash equivalents, June 30, 2009	\$ 276,319	\$ 78,426	\$ 92,261	\$ 447,006
Supplemental data:				
Cash paid for interest on long-term debt	\$ 705	\$ 365,963	\$ 622,464	\$ 989,132

BASIS School, Inc.

MASTER TEACHER PROGRAM SUMMARY

July 2008 through June 2009

	<u>Tucson</u>	<u>Scottsdale</u>	<u>Total</u>
Beginning balance, July 1, 2008		\$ 150,285	\$ 150,285
Master Teacher campaign 08/09 Receipts			
Craig and Barbara Barrett Foundation contribution		150,000	150,000
UHC contribution (life science)	\$ 25,000	25,000	50,000
Other contributions	57,112	225,918	283,030
Pledges	2,400	13,380	15,780
Fundraising events gross revenue		18,400	18,400
Total gross proceeds	<u>84,512</u>	<u>432,698</u>	<u>517,210</u>
Expenses - Master Teacher campaign 08/09			
Fundraising events direct costs		41,607	41,607
Other fundraising expenses	12,878	45,700	58,578
Total fundraising expenses	<u>12,878</u>	<u>87,307</u>	<u>100,185</u>
Total net fundraising 08/09	71,634	345,391	417,025
Expended on teacher salaries in 08/09		<u>293,693</u>	<u>293,693</u>
Ending balance, June, 2009 - available for teacher salaries in 09/10	<u>\$ 71,634</u>	<u>\$ 201,983</u>	<u>\$ 273,617</u>

Note: Total UHC contribution will be used for science teachers' salaries in 2009/2010

BASIS School, Inc.

DEBT SERVICE COVERAGE RATIO

Year Ended June 30, 2009

Covenants

Article VIII, Special Covenants, Section 8.04 Audits

Debt Service Coverage Ratio. The Borrower will deliver to the Issuer, the Trustee, the Bondholder Representative and each Significant Bondholder within 30 days of the completion of the Borrower's annual audited financial statements, a Certificate executed by the Borrower stating the Debt Service Coverage Ratio.

	<u>Series 2006</u>	<u>Series 2007</u>
Net income available for debt service:		
Pledged revenue	\$ 8,309,143	
Interest earnings see above	-	
Total operating expenses:	<u>\$ 8,626,983</u>	
Net income (loss)	(317,840)	
Add: depreciation	491,808	
Add: amortization	23,066	
Add: non-cash expenses	-	
Add: interest expense	<u>989,132</u>	
Add: revenues paid by Firm, not from pledged revenues	1,186,166	
Add back:		
Extraordinary items	-	
Gain/loss on extinguishment of debt	-	
Proceeds of insurance policies	-	
	-	
Net income available for debt service:	<u>1,186,166</u>	
Maximum annual debt service requirement:	<u>Year</u>	<u>Year</u>
Highest principal and interest	2017-18	2026-27
	<u>\$ 420,550</u>	<u>\$ 1,129,425</u>
DEBT SERVICE COVERAGE RATIO:	<u><u>2.8</u></u>	<u><u>1.1</u></u>

BASIS SCHOOL, INC.

**Financial Statements
and
Auditors' Reports**

Year Ended June 30, 2008

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Independent Auditors' Report

To the Board of Directors
Basis School, Inc.
Scottsdale, Arizona

We have audited the accompanying statement of financial position of Basis School, Inc. (the Firm, a nonprofit organization) as of June 30, 2008, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Firm's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Basis School, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2008, on our consideration of the Firm's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Firm taken as a whole. The accompanying supplementary schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fleeter & Chapman P.C.

November 4, 2008

BASIS SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS

Current Assets	\$	510,428
Cash and cash equivalents		384,357
Restricted cash		19,847
Prepaid expenses		150,121
Due from governmental entities		17,021
Other accrued revenues		26,643
Other current assets		<u>1,108,417</u>
Total Current Assets		
Noncurrent Assets		652,630
Loan issuance costs, net of accumulated amortization of \$46,499		12,230,811
Property and equipment - net		25,416
Other noncurrent assets		<u>12,908,857</u>
Total Noncurrent Assets		
Total Assets	\$	<u><u>14,017,274</u></u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current Liabilities	\$	166,873
Accounts payable and accrued expenses		12,503
Deferred revenues		165,780
Deposits held for others		179,529
Current maturities of long-term debt		<u>524,685</u>
Total Current Liabilities		
Noncurrent Liabilities		13,942,482
Long-term debt, net of current maturities		30,000
Long-term deposits held for others		<u>13,972,482</u>
Total Noncurrent Liabilities		
Net Assets		(630,178)
Unrestricted (deficit)		150,285
Temporarily restricted net assets		<u>(479,893)</u>
Total Net Assets		
Total Liabilities and Net Assets	\$	<u><u>14,017,274</u></u>

BASIS SCHOOL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
State equalization	\$ 5,969,356		\$ 5,969,356
State grants	586,455		586,455
Federal grants	60,970		60,970
Extra-curricular activities fees tax credit		\$ 114,983	114,983
Special event		369,875	369,875
less cost of direct benefits to donors		(70,380)	(70,380)
Other revenue	628,408		628,408
Net assets released from restriction	264,193	(264,193)	
Total Revenue and Support	<u>7,509,382</u>	<u>150,285</u>	<u>7,659,667</u>
Program Services Expenses			
Salaries and wages	3,508,729		3,508,729
Pension plan contributions	318,351		318,351
Other employee benefits	250,916		250,916
Payroll taxes	271,151		271,151
Legal fees	10,320		10,320
Supplies	181,988		181,988
Telephone	19,360		19,360
Postage and shipping	9,159		9,159
Occupancy	396,762		396,762
Equipment rental and maintenance	9,412		9,412
Printing and publication	49,474		49,474
Travel	63,744		63,744
Conferences and meetings	1,560		1,560
Depreciation	490,107		490,107
Other expenses	474,764		474,764
Total Program Services	<u>6,055,797</u>		<u>6,055,797</u>
Management & General Expenses			
Compensation of officers	315,000		315,000
Other salaries and wages	154,027		154,027
Pension plan contributions	43,997		43,997
Other employee benefits	21,112		21,112
Payroll taxes	31,716		31,716
Accounting fees	79,918		79,918
Supplies	3,340		3,340
Telephone	1,481		1,481
Postage and shipping	690		690
Travel	2,726		2,726
Interest	898,220		898,220
Amoritzation of loan issuance costs	23,066		23,066
Other expenses	100,508		100,508
Total Management & General	<u>1,675,801</u>		<u>1,675,801</u>
Total Expenses	<u>7,731,598</u>		<u>7,731,598</u>
Change in Net Assets	(222,216)	150,285	(71,931)
Net Assets, July 1, 2007, as restated	<u>(407,962)</u>		<u>(407,962)</u>
Net Assets, June 30, 2008	<u>\$ (630,178)</u>	<u>\$ 150,285</u>	<u>\$ (479,893)</u>

BASIS SCHOOL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

Cash Flows From Operating Activities:

Change in net assets \$ (71,931)

Adjustments to reconcile change in net assets to
net cash provided by operating activities:

Depreciation	490,107
Amortization of loan issuance costs	23,066
Increase (decrease) in accounts payable and accrued expenses	(65,864)
Increase (decrease) in deferred revenues	12,503
Increase (decrease) in deposits held for others	42,515
Increase (decrease) in other current liabilities	(21,365)
Decrease (increase) in prepaid items	2,700
Decrease (increase) in due from governmental entities as restated	(113,107)
Decrease (increase) in other assets	(25,394)

Net cash provided by operating activities 273,230

Cash Flows From Investing Activities:

Withdrawals from restricted cash	2,132,235
Purchase of property and equipment	(1,851,086)

Net cash provided by investing activities 281,149

Cash Flows From Financing Activities:

Principal payments on long-term debt	(79,861)
--------------------------------------	----------

Net cash used for financing activities (79,861)

Net increase in cash and cash equivalents 474,518

Cash and cash equivalents, July 1, 2007 35,910

Cash and cash equivalents, June 30, 2008 \$ 510,428

Supplemental data:

Cash paid for interest on long-term debt	\$ <u>898,220</u>
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Basis School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis School, Inc. (the Firm) is an Arizona not-for-profit organization formed in fiscal year 1998-99. In fiscal year 1998-99, the Firm opened Basis School - Tucson. In fiscal year 2003-04, the Firm opened Basis School - Scottsdale. To efficiently manage the two schools, Basis Services was created. The two school locations and Basis Services collectively comprise the Firm. The Firm provides educational services to students in fifth through twelfth grades. The Firm operates under two charter contracts with the Arizona State Board for Charter Schools, which mandates policy and operational guidelines.

The significant accounting policies of the Firm are as follows:

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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, 2008.

Use of Estimates: In preparing financial statements in conformity with U.S. generally accepted accounting principles, 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 SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. 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 activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Basis School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

Property and Equipment: Land, Buildings and improvements, and leasehold improvements with an initial cost of \$3,000 or vehicles, furniture and equipment with an initial cost of \$300 or more and an estimated life of one year or more are capitalized. Assets are stated at cost. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the respective assets. The estimated lives used in determining depreciation and amortization are:

Buildings and improvements	40 years
Vehicles, furniture and equipment	3-5 years
Leasehold improvements	life of the lease

Income Taxes: The Firm is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code, and from Arizona income taxes under Section 43-147(a)(4) of the Arizona Revised Statutes.

Advertising: Advertising costs are expensed as incurred.

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

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

Basis School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 2 - RESTRICTED CASH

Restricted cash consists of required deposits associated with the long-term debt (see note 5) and can be used if normal operations of the Firm become impaired. The accounts are held by Wells Fargo Trust Company as trustee. Restricted cash as of June 30, 2008 is as follows:

<u>Series 2006 Bond</u>	
Bond fund	\$ 1,452
Operating reserve - initial	141,978
<u>Series 2007 Bond</u>	
Bond fund	1,632
Operating reserve - initial	<u>239,295</u>
Total	<u>\$ 384,357</u>

NOTE 3 - CONCENTRATION OF CREDIT RISK

At June 30, 2008, the Firm had \$301,625 of deposits that exceeded Federal Deposit Insurance Corporation (FDIC) limits. The Firm has not experienced any losses in such accounts, however the Firm has instituted policies whereby they now attempt to minimize the uninsured cash balances.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2008 consisted of the following:

Land and improvements	\$ 3,368,157
Buildings and improvements	8,642,855
Vehicles, furniture and equipment	834,605
Leasehold improvements	292,133
Textbooks	<u>306,807</u>
Total	13,444,557
Less accumulated depreciation	<u>1,213,746</u>
Property and equipment, net	<u>\$12,230,811</u>

Depreciation for the year ended June 30, 2008 totaled \$490,107.

Basis School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2008:

Education Revenue Bonds (Series 2006) were issued by the Industrial Development Authority of Pima County, Arizona, in the aggregate principal amount of \$5,155,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated May 1, 2006. The loan matures over 30 years with an effective interest rate of approximately 8.09%. Monthly principal and interest payments vary, and principle payments range from a minimum of \$5,000 to a maximum of \$43,333. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land buildings and to fund improvements; (ii) to fund a debt service reserve fund; (iii) for the payment of loan issuance costs; and (iv) extinguishment of the outstanding series 2004 education revenue bonds. The loan is secured by a deed of trust on real property and through assignment of State Equalization Revenues of the Firm.

\$ 5,095,000

Education Revenue Bonds (Series 2007) were issued by the Industrial Development Authority of Pima County, Arizona, in the aggregate principal amount of \$9,000,000. The proceeds of the bonds were loaned to the Firm pursuant to a loan agreement, dated February 1, 2007. The loan matures over 30 years with an effective interest rate of approximately 7.79%. Monthly principal and interest payments vary, and principle payments range from a minimum of \$8,333 to a maximum of \$106,250. The loan proceeds are to be used by the Firm for the following purposes: (i) to purchase land buildings and to fund improvements; (ii) to fund a debt service reserve fund; and, (iii) for the payment of loan issuance costs. The loan is secured by a deed of trust on real property and through assignment of State Equalization Revenues of the Firm.

9,000,000

\$20,047 note payable for the purchase of a school vehicle, maturing January of 2011. Note is due in 60 installments of \$398, which includes interest at 7.24%

11,557

Basis School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 5 - LONG-TERM DEBT - Continued

\$63,716 leasehold improvement financed through a note payable to the leaseholder. Note is due in 49 installments of \$1,440, which includes interest at 5.00%.	<u>15,454</u>
Total	14,122,011
Less current maturities	<u>179,529</u>
	<u>\$ 13,942,482</u>

The aggregate future minimum payments on long-term debt as of June 30, 2008, were as follows:

Year ending June 30:	
2009	\$ 179,529
2010	174,409
2011	188,073
2012	195,000
2013	210,000
Thereafter	<u>13,175,000</u>
	<u>\$14,122,011</u>

NOTE 6 - OPERATING LEASE

The Firm has one lease for office space and various other leases for copier equipment. Rental expense for those leases was \$203,921 for the year ended June 30, 2008. Future minimum operating lease commitments are as follows:

Year ending June 30:	
2009	\$ 230,497
2010	26,928
2011	26,928
2012	26,928
2013	<u>8,433</u>
	<u>\$ 319,714</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2008 are restricted for use in Basis - Scottsdale's master teacher program.

Basis School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 8 - 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.

NOTE 9 - ECONOMIC DEPENDENCY

Approximately 86% of the Firm's revenue for the year ended June 30, 2008 was derived from the State of Arizona through payments of state equalization and Classroom Site (Proposition 301) funds for charter schools and State of Arizona grants. 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 ability to operate.

NOTE 10 - PENSION PLAN

Plan Description: Permanent full-time and certain part-time employees of the Firm participate in a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. A recent report may be obtained by writing the ASRS, 3300 North Central Avenue, PO Box 33910, Phoenix, AZ 85067-3910, or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy: The Arizona State Legislature establishes and may amend active plan members' and the Firm's contribution rates. For the year ended June 30, 2008, active plan members and the Firm were each required by statute to contribute at the actuarially determined rate of 9.10 percent (8.6 percent retirement and 0.50 percent long-term disability). The Firm's contributions to the System for the years ended June 30, 2008, 2007 and 2006 were \$362,348, \$239,201 and \$144,301, respectively, which were equal to the required contributions for each year.

Basis School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 11 - RELATED PARTY

Olga Block, the Firm's Executive Director, and her spouse, Michael Block, maintain active Board member positions. As Board members, these individuals influence the financial and operational activities of the Firm through voting authority. The combined voting power of Olga Block and Michael Block, however, does not constitute a majority of the Board of Directors.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2008, the Firm's management became aware of certain items that had not been properly recorded in accordance with generally accepted accounting principles in prior years due to misinterpretation of relevant accounting pronouncements. As a result, the Firm has recorded prior period adjustments to correct net assets as of June 30, 2007, as discussed below.

During the year ended June 30, 2006, the Firm extinguished certain outstanding series 2004 education revenue bonds as part of a refinancing of debt to allow the Firm to expand their facilities. Tax free securities with a cost in excess of the carrying amount of the bonds were acquired to effect the extinguishment of the debt. During the year ended June 30, 2006, the difference between the cost of the tax free securities and the carrying amount of the bonds was improperly recorded as a deferred charge and amortized over the life of the new debt rather than being recorded as a current period nonrecurring expense as required by generally accepted accounting principles. An adjustment to reduce unrestricted net assets by \$431,019 as of June 30, 2007 has been recorded in the financial statements to correct the accounting treatment for this transaction.

During the year ended June 30, 2007, the Firm recorded Classroom Site funds of \$40,235 received during August 2007 as revenues for the year ended June 30, 2007. It was determined by management that these revenues actually related to the 2007-08 school year. As a result, an adjustment has been recorded to reduce restricted net assets as of June 30, 2007 by this amount.

During prior years, certain revenues from unrestricted exchange transactions were improperly classified as temporarily restricted net assets. Due to the unrestricted nature of these revenues, a prior period adjustment in the amount of \$90,995 has been recorded to reclassify these revenues from temporarily restricted net assets to unrestricted net assets as of June 30, 2007.

Basis School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 12 - PRIOR PERIOD ADJUSTMENT - Continued

The impact of these prior period adjustments is summarized as follows:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total Net Assets</u>
Net assets as of June 30, 2007, as previously reported	\$ (67,938)	\$ 131,230	\$ 63,292
Adjustment due to the extinguishment of debt	(431,019)		(431,019)
Fiscal year 2007-08 revenues recognized in fiscal year 2006-07		(40,235)	(40,235)
Reclassification of unrestricted exchange transactions	<u>90,995</u>	<u>(90,995)</u>	<u> </u>
Net assets as of June 30, 2007, as restated	<u>\$ (407,962)</u>	<u>\$ </u>	<u>\$ (407,962)</u>

**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 School, Inc.
Scottsdale, Arizona

We have audited the financial statements of Basis School, Inc. (the Firm, a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 4, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Firm's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Firm's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Firm's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Firm's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Firm's financial statements that is more than inconsequential will not be prevented or detected by the Firm's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Firm's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Firm's financial statements are free of 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*.

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

Foster & Chapman P.C.

November 4, 2008

SUPPLEMENTARY INFORMATION

BASIS SCHOOL, INC.
DETAIL STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

	Basis Services*	Basis School - Tucson	Basis School - Scottsdale	Totals
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 439,732	\$ 42,507	\$ 28,189	\$ 510,428
Restricted cash		143,430	240,927	384,357
Prepaid expenses		590	19,257	19,847
Due from governmental entities		45,368	104,753	150,121
Other accrued revenues	2,081	4,591	10,349	17,021
Other current assets	20,118		6,525	26,643
Total Current Assets	<u>461,931</u>	<u>236,486</u>	<u>410,000</u>	<u>1,108,417</u>
Noncurrent Assets				
Loan issuance costs, net of accumulated amortization of \$22,402 and \$24,097, respectively		287,231	365,399	652,630
Property and equipment - net	5,440	4,526,496	7,698,875	12,230,811
Other noncurrent assets		5,416	20,000	25,416
Total Noncurrent Assets	<u>5,440</u>	<u>4,819,143</u>	<u>8,084,274</u>	<u>12,908,857</u>
Total Assets	<u>\$ 467,371</u>	<u>\$ 5,055,629</u>	<u>\$ 8,494,274</u>	<u>\$ 14,017,274</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable and accrued expenses	\$ 150,365	\$ 4,580	\$ 11,928	\$ 166,873
Deferred revenues			12,503	12,503
Deposits held for others		84,388	81,392	165,780
Current maturities of long-term debt	4,075	60,000	115,454	179,529
Other current liabilities **	127,356	215,484	(342,840)	179,996
Total Current Liabilities	<u>281,796</u>	<u>364,452</u>	<u>(121,563)</u>	<u>524,685</u>
Noncurrent Liabilities				
Long-term debt, net of current maturities	7,482	5,035,000	8,900,000	13,942,482
Long-term deposits held for others			30,000	30,000
Total Noncurrent Liabilities	<u>7,482</u>	<u>5,035,000</u>	<u>8,930,000</u>	<u>13,972,482</u>
Net Assets				
Unrestricted (deficit)	178,093	(343,823)	(464,448)	(630,178)
Temporarily restricted net assets			150,285	150,285
Total Net Assets	<u>178,093</u>	<u>(343,823)</u>	<u>(314,163)</u>	<u>(479,893)</u>
Total Liabilities and Net Assets	<u>\$ 467,371</u>	<u>\$ 5,055,629</u>	<u>\$ 8,494,274</u>	<u>\$ 14,017,274</u>

* Basis School - Tucson and Basis School - Scottsdale pay 25% of state aid +25% of unrestricted extracurricular revenues to Basis Services for administrative services and a part of SPED services; therefore, these duplicate transactions are eliminated.

** Amounts include inter-school borrowing for the purpose of the Detail Statement of Financial Position

BASIS SCHOOL, INC.
DETAIL STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Basis Services *		Basis School Tucson		Basis School Scottsdale		Eliminations*		Totals	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Management & General Expenses										
Compensation of officers	315,000								315,000	
Other salaries and wages	154,027								154,027	
Pension plan contributions	43,997								43,997	
Other employee benefits	21,112								21,112	
Payroll taxes	31,716								31,716	
Accounting fees	68,918		7,000		4,000				79,918	
Supplies	3,340								3,340	
Telephone	1,481								1,481	
Postage and shipping	690								690	
Travel	2,726								2,726	
Interest	992								992	
Amortization of loan issuance costs			370,660		526,568				898,220	
Other expenses	100,508		10,321		12,745				23,066	
Total Management & General	744,507	0	387,981	0	543,313	0	0	0	1,675,801	0
Total Expenses	1,472,011	0	3,799,396	0	4,016,364	0	(1,556,173)	0	7,731,598	0
Change in Net Assets	96,505	0	9,686	150,285	(328,407)	150,285	(178,122)	(222,216)	150,285	(71,931)
Net Assets, July 1, 2007	81,588	0	35,071	64,036	(184,597)	67,194	(117,403)	(67,938)	131,230	63,292
Net Assets, July 1, 2007 adj.#1**										
Net Assets, July 1, 2007 adj.#2 ***										
Net Assets, July 1, 2007 adj.#3 ****										
Net Assets, July 1, 2007, as restated	81,588	0	(431,019)	0	48,556	(48,556)	0	(431,019)	0	(431,019)
			(353,509)	0	(136,041)	0	0	(407,962)	0	(407,962)
Net Assets, June 30, 2008	\$ 178,093	\$ (343,823)	\$ 0	\$ (343,823)	\$ (464,448)	\$ 150,285	\$ (314,163)	\$ 0	\$ (630,178)	\$ 150,285

* Basis School - Tucson and Basis School - Scottsdale pay 25% of state aid +25% of unrestricted extracurricular revenues to Basis Services for administrative services and a part of SPED services; therefore, these duplicate transactions are eliminated.

** Aug 07 payment of 301 money, i.e. actually CSF payment #1 in FY08, that was included in FY 07 revenues and due from governmental entities accrual by auditors in Audit 07 financial statements was shift to FY08 revenues and removed from due from governmental entities accrual FY07

*** Temporarily restricted balance as of July 1, 2007 included just unspent 301 and Instructional Improvement Fund money. These assets were moved to unrestricted assets

**** The difference between the net carrying amount of the series 2004 bonds and the amount paid to extinguish those bonds not expensed in the prior years including the amortization of this difference that was expensed in the prior years

BASIS SCHOOL, INC.
DETAIL STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Basis Services *</u>	<u>Basis School - Tucson</u>	<u>Basis School - Scottsdale</u>	<u>Totals</u>
Cash Flows From Operating Activities:				
Change in net assets	\$ 96,505	\$ 9,686	\$ (178,122)	\$ (71,931)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	1,279	194,567	294,261	490,107
Amortization of loan issuance costs		10,321	12,745	23,066
Increase (decrease) in accounts payable and accrued expenses	131,156	3,696	(200,716)	(65,864)
Increase (decrease) in deferred revenues			12,503	12,503
Increase (decrease) in deposits held for others		21,360	21,155	42,515
Increase (decrease) in other current liabilities	230,539	274,870	(526,774)	(21,365)
Decrease (increase) in prepaid items		929	1,771	2,700
Decrease (increase) in due from governmental entities **		(20,739)	(92,368)	(113,107)
Decrease (increase) in other assets	(21,926)	1,087	(4,555)	(25,394)
Net cash provided by (used in) operating activities	<u>437,553</u>	<u>495,777</u>	<u>(660,100)</u>	<u>273,230</u>
Cash Flows From Investing Activities:				
Withdrawals from restricted cash		246	2,131,989	2,132,235
Purchase of property and equipment	(2,818)	(441,006)	(1,407,262)	(1,851,086)
Net cash provided by (used for) investing activities	<u>(2,818)</u>	<u>(440,760)</u>	<u>724,727</u>	<u>281,149</u>
Cash Flows From Financing Activities:				
Principal payments on long-term debt	(3,789)	(60,000)	(16,072)	(79,861)
Net cash used for financing activities	<u>(3,789)</u>	<u>(60,000)</u>	<u>(16,072)</u>	<u>(79,861)</u>
Net increase (decrease) in cash and cash equivalents	<u>430,946</u>	<u>(4,983)</u>	<u>48,555</u>	<u>474,518</u>
Cash and cash equivalents, July 1, 2007	8,786	47,490	(20,366)	35,910
Cash and cash equivalents, June 30, 2008	<u>\$ 439,732</u>	<u>\$ 42,507</u>	<u>\$ 28,189</u>	<u>\$ 510,428</u>
Supplemental data:				
Cash paid for interest on long-term debt	\$ 993	\$ 370,659	\$ 526,568	\$ 898,220

* Basis School - Tucson and Basis School - Scottsdale pay 25% of state aid +25% of unrestricted extracurricular revenues to Basis Services for administrative services and a part of SPED services; therefore, these duplicate transactions are eliminated.

** Aug 07 payment of 301 money, i.e. actually CSF payment #1 in FY08, that was included in FY 07 revenues and due from governmental entities accrual by auditors in Audit 07 financial statements was shift to FY08 revenues and removed from due from governmental entities accrual FY07

BASIS School, Inc

SCOTTSDALE MASTER TEACHER PROGRAM SUMMARY

July 2007 through June 2008

	<u>Expenses</u>	<u>Gross Contributions</u>	<u>Net Proceeds</u>
Receipts			
Barrett Contribution		\$ 150,000	\$ 150,000
Campaign 07/08		208,375	208,375
Pledges		11,500	11,500
Expenses			
Dinner Event Expenses	\$ 61,850		(61,850)
Capitalized Expenses on Donor Wall	4,386		(4,386)
Other Campaign Expenses	4,143		(4,143)
Total Fundraising	<u>70,380</u>	<u>369,875</u>	<u>299,495</u>
Total Available for Teacher Salaries			299,495
Expended on Teacher Salaries 2007/2008	<u>149,210</u>		<u>(149,210)</u>
Total Available for Teacher Salaries 2008/2009	<u>219,590</u>	<u>369,875</u>	<u>150,285</u>

BASIS School, Inc.

DEBT SERVICE COVERAGE RATIO

June 30, 2008

Covenants

Article VIII, Special Covenants, Section 8.04 Audits

Debt Service Coverage Ratio. The Borrower will deliver to the Issuer, the Trustee, the Bondholder Representative and each Significant Bondholder within 30 days of the completion of the Borrower's annual audited financial statements, a Certificate executed by the Borrower stating the Debt Service Coverage Ratio.

	<u>Series 2006</u>	<u>Series 2007</u>
Net Income available for debt service:		
Pledged Revenue	\$ 7,659,667	
Interest earnings see above	-	
Total Operating Expenses:	\$ 7,731,598	
Net Income (loss)	(71,931)	
Add: Depreciation	490,107	
Add: Amortization	23,066	
Add: Non cash expenses	-	
Add: interest expense	<u>\$ 898,220</u>	
Add: Revenues paid by School, not from Pledged revenues	1,339,462	
add back:		
Extraordinary Items	-	
gain/loss on extinguishment of debt	-	
Proceeds of insurance policies	-	
	-	
Net Income available for debt service:	<u>\$ 1,339,462</u>	
Maximum Annual Debt Service Requirement:	<u>Year</u>	<u>Year</u>
Highest Principle and Interest	2017-18 <u>420,550</u>	2026-27 <u>1,129,425</u>
DEBT SERVICE COVERAGE RATIO:	<u>3.2</u>	<u>1.2</u>

Pending Legal Claims Against BSI:

1. Monroe v. BSI:

- A. **Demand:** Former student of BASIS Tucson filed a complaint in Pima County Superior Court alleging that BSI was negligent in failing to provide a crossing guard at a major intersection one block from the school. As a result, she claims she was struck while crossing this intersection on her bike (against a green arrow) on her way home from school. She was an unaccompanied fifth grader at the time of the accident. She seeks damages for permanent physical injuries in the amount of \$1,325,999.00.
- B. **Response:** BSI denies that it was negligent and/or that its negligence caused the girl's injuries.
- C. **Status:** The case is in the early stages of discovery and is not set for trial until late 2012.

2. Boyle v. BSI:

- A. **Demand:** Parent filed complaint against BSI with the U.S. Department of Education, Office for Civil Rights alleging that BSI discriminated based on race and sex when BASIS Oro Valley (i) expelled her daughter for, among other things, threatening the life of a teacher, and (ii) failed to re-enroll her son after she terminated his enrollment and did not re-register him.
- B. **Response:** BSI has submitted a written response and documentation to the Department showing that its actions were consistent with applicable state Charter law and its enrollment policies and procedures.
- C. **Status:** The matter is still pending.

3. Crow v. BEG/BSI

- A. **Demand:** Former teacher at BASIS Scottsdale sought to arbitrate claims for breach of contract/wrongful termination based on BASIS Educational Group's decision not to renew his term contract. The teacher sought damages of \$3,000,000.00.
- B. **Response:** BEG/BSI moved for summary judgment on the merits.
- C. **Status:** BEG/BSI's motion for summary judgment was granted and the teacher's claims were dismissed.

4. Priser v. BEG & BSI

- A. **Demand:** Teacher hired to teach at BASIS Tucson at the age of 63 filed an age discrimination suit in Pima County Superior Court against BEG and BSI claiming that the decision not to renew his term contract on competency grounds was a pretext for age discrimination. He seeks an undisclosed amount of damages for ongoing loss of employment and emotional distress as well as punitive damages.
- B. **Response:** BEG/BSI removed the case to federal court, sought arbitration pursuant to the terms of the subject contract, and the matter has been referred to arbitration. BSI will seek dismissal for failure to exhaust administrative remedies. BEG will pursue dismissal on the merits.

- C. **Status**: The case has just been referred to arbitration. To date, Plaintiff has taken no action to initiate the arbitration process by submitting the required pleading and filing fee.

We are awaiting response from our previous counsel on all other matters of litigation throughout our school's history. Once these are compiled, we will make them available to the ICSB and IDE if necessary.