GRIFFIN FOUNDATION SCHOOL DISTRICT

1844 S. Alvernon Way, Tucson, AZ 85711

www.griffinfoundation.org

Office: 520-790-8400

FINANCIAL PERFORMANCE RESPONSE - Unrestricted Days Liquidity

a) We disclosed the late funds transfer from the trustee to the auditor during their site visit. Please see attached letter from Darin Guthrie, CPA, MSA.

b) In the original response, we included information on the Capital and Maintenance Fund. We understand that it is limited to maintenance repairs, but, for instance, if we have a major roofing repair that needs to be done or other maintenance repairs that meet the requirements, we are able to access those funds rather than our general operation funds. This allows more funds to be available in our M & O.

   We did have $29,965.00 available in the Bond Reserve as of June 30, 2014, but this was information was included because the funds are available twice a year as the funds are replenished. We replenish the funds in a 12 month period. The current amount deposited each month is $14,820.00. We have attached the first page of the Limited Offering Memorandum and the pages pertaining to the Bond Reserve Fund and the Capital and Maintenance Fund.

c) We are submitting a letter from Frank Valenzuela from Community Investment Corporation.

d) In order to substantiate our reference to third party loans, we have attached a letter from both Lee Griffin and Sandy Vaught. We have also included copies of statements showing access of funds available if needed.

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FINANCIAL PERFORMANCE RESPONSES – Cash Flow

Financial Performance Measure Target: Positive Cash Flow

Financial Performance Responses:

Reason for not meeting performance measure

The school did not meet the target for 3-Year Cumulative Cash Flow because fiscal year end cash balances have decreased significantly since June 30, 2011. The decrease in cash was due to the rescinding of the State bill that funded full-Day Kindergarten classes. The Griffin Foundation's elementary school lost 50% of its funding for 3 Kindergarten classes (funding was cut for 75 Kindergarten students);Charter schools are funded in current year based on actual student count, unlike District schools that are funded on prior year student count. These reductions were during the same timeframe that ADE changed their equalization payment system by skipping a payment and combining July's payment to be paid in late June. Due to these factors, it was necessary for GFI to borrow $130,000.00 for the short fall in revenue. GFI later repaid these funds to our Operating Reserve Funds account. In addition GFI had a budget cut in our Equalization revenue and Title I funds. Adjustments were made to our operations budget and as a result, the school suffered a dramatic $441,624 reduction in total revenue from 2011 to 2012. Total expenses in 2012 were reduced by $268,212 from the prior year – which was not enough to offset the $441,624 reduction in total revenue. The school would have had to revise the budget and reduce expenses by an additional $173,491 in order to have a positive change in unrestricted net assets at June 30, 2012. Had that occurred, it's likely the school would not have had to begin using cash to cover expenses. Instead, the school began to use cash to cover expenses which resulted in cash declining from $145,348 in 2011 to $125,517 in 2012.

The trend continued in 2013. Although revenue increased from $2,604,836 in 2012 to $2,712,617 in 2013 (change of $107,781), expenses increased by $173,490. Therefore, the school continued to use cash to cover expenses in 2013. As a result, the cash balance at fiscal year-end decreased from $125,517 in 2012 to $64,757 in 2013. The school did not adequately budget for all expenses and although revenues increased in 2013, so did expenses. In order to obtain positive cash flow, the school needed to reduce expenses, while still increasing revenues, in 2013.

Efforts to improve Cash Flow in the current fiscal year

The school improved its budget performance in 2014 and as a result had fiscal year end revenue of $2,784,064 and expenses of $2,644,937. Therefore the school was able to maintain a stable cash balance of $64,651 at June 30, 2014. However, cash still decreased by $106.00. The school now has a better understanding of how to budget for not just positive Net Income, but also for Positive Cash Flow in each fiscal year and will work diligently through the remainder of this fiscal year to continue reviewing and, if necessary, reducing expenses in order to minimize or avoid a decrease in cash for this fiscal year.

Darin Guthrie, CPA, PLLC

5956 East Pima St., Suite 120, Tucson, AZ 85712 Office 520.207.4518 Fax 520.207.4591

April 15, 2015

To Whom It May Concern:

We performed the audit of the financial statements for Griffin Foundation for the year ended June 30, 2014. In the course of this work, we were informed by the auditee that the June 30 payment from Arizona Department of Education for state equalization had been delayed in its transfer until July 1, 2014. These funds were reported as a component of escrow funds on the statement of financial position. On July 1, 2014, $107,598.17 was transferred into Griffin's bank account.

Very truly yours,

Darin Guthrie CPA, PLLC

Darin Guthrie, CPA, PLLC

LIMITED OFFERING MEMORANDUM

NEW ISSUE
BOOK-ENTRY ONLY

NOT RATED

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2008 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that the interest on the Series 2008 Bonds is exempt from State of Arizona personal income taxation. For a more complete description, see "TAX MATTERS" herein.

$6,850,000
THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF PIMA
EDUCATION REVENUE BONDS
(GRIFFIN FOUNDATION PROJECT), SERIES 2008

Dated: Date of Delivery **Due: As shown below**

The Industrial Development Authority of the County of Pima (the "*Issuer*"), a nonprofit corporation designated as a political subdivision of the State of Arizona (the "*State*"), will issue its Education Revenue Bonds (Griffin Foundation Project), Series 2008 in the aggregate principal amount of $6,850,000 (the "*Series 2008 Bonds*") pursuant to an Indenture of Trust dated as of January 1, 2008 (as it may be supplemented including by Supplemental Indentures pursuant to which Bonds are issued and secured, the "*Indenture*") between the Issuer and Wells Fargo Bank, National Association, as trustee (the "*Trustee*"). The proceeds of the Series 2008 Bonds will be loaned to The Griffin Foundation, Inc., doing business as Children Reaching for the Sky, an Arizona nonprofit corporation and tax-exempt 501(c)(3) organization (the "*Borrower*"), pursuant to the Series 2008 Loan Agreement dated as of January 1, 2008 (as it may be amended and supplemented in accordance therewith and with the Indenture, the "*Series 2008 Loan Agreement*" or the "*Agreement*") between the issuer and the Borrower. The Borrower currently operates a charter school in Tucson, Arizona, pursuant to a charter with the Arizona State Board for Charter Schools. See APPENDIX A: "THE BORROWER AND THE PROJECT". Proceeds of the Series 2008 Bonds will be used for (i) financing and refinancing the acquisition, construction, improvement, operation and equipping of an approximately 3.22 acre site and approximately 36,000 square feet of charter school facilities located at 1844 South Alvernon Way, Tucson, Arizona (the "*Series 2008 Facilities*"); (ii) funding of the Operating Reserve Fund (defined herein) as set forth in the Indenture; (iii) paying capitalized interest on the Series 2008 Bonds; and (iv) paying certain issuance expenses (the "*Series 2008 Project*").

The Series 2008 Bonds will be payable from the monies held for the payment thereof by the Trustee under the Indenture, including amounts held in the Operating Reserve Fund and Capital and Maintenance Reserve Fund and Loan Payments (as defined herein) to be made by the Borrower under the Series 2008 Loan Agreement. The Series 2008 Bonds will be secured by, amongst other things, by an assignment and pledge of (i) amounts payable pursuant to the Series 2008 Loan Agreement, as may be amended or supplemented from time to time, except Issuer's Unassigned Rights; (ii) the Series 2008 Deed of Trust (as defined herein) and (iii) an assignment of all rents, revenues and profits of the Series 2008 Facilities in favor of the Trustee, as beneficiary, and the title company, as trustee thereunder, subject to certain Permitted Encumbrances (as defined herein). The Series 2008 Facilities will be owned and operated as a charter school by the Borrower. Under the Series 2008 Loan Agreement and the promissory note given pursuant thereto (the "*Series 2008 Promissory Note*"), the Borrower will be required to make Loan Payments from Pledged Revenues in amounts sufficient to pay debt service on the Series 2008 Bonds, plus certain other payments. See "THE SERIES 2008 BONDS" and "SECURITY FOR THE SERIES 2008 BONDS" herein.

Interest on the Series 2008 Bonds will accrue from date of delivery of the Series 2008 Bonds and will be payable semiannually on each January 1 and July 1, commencing July 1, 2008. The Series 2008 Bonds will be issued as fully registered bonds in the denomination of $25,000 or any integral multiples of $5,000 in excess thereof, and will initially be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("*DTC*"). Purchases of the Series 2008 Bonds will be made in book-entry form only. Purchasers of beneficial interests will not receive certificates representing their interest in the Series 2008 Bonds. Payments of principal of and interest on the Series 2008 Bonds, and premium, if any, will be made directly to DTC or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Series 2008 Bonds. Disbursement of such payment to the DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as defined herein) is the responsibility of the DTC Participants, as more fully described herein.

The Series 2008 Bonds are subject to mandatory and optional redemption as described herein under "THE SERIES 2008 BONDS - Redemption" herein.

MATURITY SCHEDULE

$ 6,005,000 Term A Bond at 6.625% Interest, due July 1, 2038, price 100%, CUSIP NO. 72177MJQ1*
$ 845,000 Term B Bond at 6.625% Interest, due July 1, 2038, price 100%, CUSIP NO. 72177MJR9*

The Series 2008 Bonds, the premium, if any, and the interest thereon are special limited obligations of the Issuer, and are payable exclusively from the Trust Estate (as defined herein). The Series 2008 Bonds do not constitute a debt or a loan of credit or a pledge of the full faith and credit or taxing power of the Issuer, Pima County, Arizona, or the State, or any political subdivision thereof, within the meaning of any State constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of Pima County, Arizona or the State. The Series 2008 Bonds shall not directly, indirectly or contingently obligate or otherwise constitute a general obligation of or a charge against the general credit of the Issuer, but shall be special limited obligations of the Issuer payable solely from the sources described in the Indenture, but not otherwise. The Issuer has no taxing power.

At the time of original execution and delivery of the Series 2008 Bonds, Greenwich Investment Management, Inc., designated as Bondholder Representative by a written appointment of a majority of Beneficial Owners (along with any successors and assigns thereto designated as Bondholder Representative by a written appointment of a majority of Beneficial Owners and delivered to the Trustee, the "*Bondholder Representative*") will represent 100% of the Beneficial Owners of the Series 2008 Bonds. So long as the Bondholder Representative represents a majority of the Beneficial Owners of the Bonds Outstanding, such entity is able to control remedies, application of moneys upon an Event of Default and consents. However, certain other rights require consent of 80% of Beneficial Owners of the Bonds Outstanding, including the right to change maturities, interest rates, principal amounts, priority of bonds and liens, privileges and priorities of the Beneficial Owners, impairment of exemption from federal income taxation of interest on any Tax-Exempt Bond and other matters (provided that if Beneficial Owners of less than all Outstanding Bonds adversely affected thereby consent thereto, the non-consenting Beneficial Owners must be treated at least equally and ratably). See APPENDIX B: "DEFINITIONS OF CERTAIN TERMS; SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default", "Remedies for Events of Default" and "Supplemental Indentures Requiring Consent of Registered Owners."

Investment in the Series 2008 Bonds has substantial risk for a variety of reasons as described under "BONDHOLDERS' RISKS" herein and under other portions of the Limited Offering Memorandum. The Borrower has a limited operating history. The ability of the Borrower to pay the amounts due under the Agreement is primarily based on monies to be paid by the State to the Borrower to educate students and the amount payable is based on student enrollment. No assurance can be given that the Borrower will maintain its current student enrollments, attract additional students or receive approval to amend its charter if necessary to serve additional students. The Borrower has no taxing powers. While the Series 2008 Bonds will be secured by certain real and personal property of the Borrower, there is no requirement that the market value of such property equal or exceed the Borrower's obligations under the Agreement. In addition, Beneficial Owners (or, if applicable, their Bondholder Representative) have specific consent rights with respect to the issuance of additional parity indebtedness, including additional parity bonds under the terms and conditions described herein. Also, it is impossible to predict whether the State Legislature will enact legislation adversely affecting the operation of or funding for charter schools. See "BONDHOLDERS' RISKS" herein.

THE SERIES 2008 BONDS MAY INITIALLY BE SOLD ONLY TO PURCHASERS (OR THEIR BONDHOLDER REPRESENTATIVE, ON THEIR BEHALF) EXECUTING A CERTIFICATE IN THE FORM ATTACHED HERETO AS EXHIBIT E. THE SALE OR OTHER DISTRIBUTION OF THE SERIES 2008 BONDS ARE CURRENTLY SUBJECT TO CERTAIN RESTRICTIONS. SEE "THE SERIES 2008 BONDS – INVESTOR SUITABILITY STANDARDS AND TRANSFER RESTRICTIONS" HEREIN.

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Limited Offering Memorandum to obtain information essential to make an informed investment decision.

The Series 2008 Bonds are offered, subject to prior sale, when, as and if accepted by the Underwriter named below and subject to an opinion as to validity and tax exemption by Kutak Rock, LLP, Scottsdale, Arizona, Bond Counsel, the approval of certain matters by Greenberg Traurig, LLP, as counsel to and solely for the benefit of the Underwriter, the approval of certain matters by Warren & Banker, PLC, Scottsdale, Arizona, as counsel to the Borrower, the approval of certain matters by Russo, Russo & Slania, P.C., Tucson, Arizona, as counsel to the Issuer and as disclosure counsel, and certain other conditions. It is expected that delivery of the Series 2008 Bonds will be made on or about January 17, 2008 through the facilities of DTC in New York, New York, against payment therefor. Subject to applicable securities laws and prevailing market conditions, the Underwriter intends, but is not obligated, to effect secondary market trading in the Series 2008 Bonds. For information with respect to the Underwriter, see "UNDERWRITING" herein.

RBC CAPITAL MARKETS

Dated: January 10, 2008

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any amounts, if any, payable in connection with the Issuer's Unassigned Rights; (c) on July 1, 2008 and on each July 1 thereafter so long as any Tax-Exempt Bonds remain Outstanding, to the Rebate Analyst, any amount owed as payment for its services; and (d) on each July 1, commencing July 1, 2008 to the Administrator, the Administrator's Annual Fee, and within two Business Days of each applicable Monthly Disbursement Date, as provided in the Program Administration Agreement, the Administrator's Monthly Fee.

Operating Reserve Fund

With respect to the Bonds, there shall be established an Operating Reserve Fund with two separate and segregated subaccounts designated the "Initial Deposit Account" and the "General Account." Upon the issuance of the Series 2008 Bonds, there shall be deposited in the Initial Deposit Account $178,166.67 from the proceeds of the Series 2008 Bonds. No other deposits shall be made to the Initial Deposit Account. Moneys in the Initial Deposit Account of the Operating Reserve Fund may be used for the payment of the principal of, premium, if any, and interest on the Bonds in the event moneys in the Bond Fund are insufficient to make such payments when due, whether on an Interest Payment Date, Principal Payment Date or otherwise.

There shall be deposited into the General Account of the Operating Reserve Fund amounts transferred from the Revenue Fund pursuant to Section "Rebate Fund," SIXTH above. The Operating Reserve Fund shall contain in the aggregate an amount not less than the Operating Reserve Fund Requirement. Moneys in the General Account of the Operating Reserve Fund may be used for the payment of the principal of, premium, if any, and interest on the Bonds in the event moneys in the Bond Fund are insufficient to make such payments when due, whether on an Interest Payment Date, Principal Payment Date or otherwise. Upon the occurrence of an Event of Default under the Indenture and the exercise by the Trustee of the remedy specified in the Loan Agreement and the Indenture, any moneys in the Operating Reserve Fund shall be transferred by the Trustee to the Bond Fund and applied in accordance with the Indenture. On the final maturity date of the Bonds, any moneys in the Operating Reserve Fund may, upon the direction of the Borrower be transferred to the Bond Fund and used to pay the principal of and interest on such Bonds on such final maturity date. If on any July 1 or January 1 the amount in the Operating Reserve Fund is greater than the Operating Reserve Fund Requirement, such excess shall be released to the Borrower, first from the Initial Deposit Account and second, from the General Account. If at any time the aggregate amount in the Operating Reserve Fund is less than the Operating Reserve Fund Requirement and the deficiency is caused by (a) a decreased value of the Investment Obligations therein or (b) a transfer from the Operating Reserve Fund to the Bond Fund to pay debt service in accordance with the above paragraph, the Borrower agrees, pursuant to the Loan Agreement, to repay all amounts withdrawn, in not more than twelve (12) substantially equal monthly installments beginning on the Monthly Disbursement Date in the month following the withdrawal. If at any time the aggregate amount in the Operating Reserve Fund is less than the Operating Reserve Fund Requirement and the deficiency is caused by a withdrawal from the General Account or the Initial Deposit Account to pay Budgeted Expenses or extraordinary expenses which Materially Exceed (defined below) Budgeted Expenses, the Borrower agrees, pursuant to the Loan Agreement, to repay to the Trustee all amounts withdrawn in not more than twelve (12) substantially equal monthly installments beginning on the Monthly Disbursement Date in the

month following the withdrawal. Notwithstanding any provisions of this Article III, the Trustee shall not deposit any Pledged Revenues into the General Account of the Operating Reserve Fund to the extent the Borrower certifies to the Trustee and the Bondholder Representative, if applicable, that such moneys are necessary for the operation and maintenance of the Facilities.

Amounts in the Operating Reserve Fund may also be disbursed to the Borrower first from the Initial Deposit Account, and after the Initial Deposit Account has been depleted, then from the General Account, (i) to pay all or a portion of the Budgeted Expenses for any month in which Borrower shall have not received all or any portion of the State Payment for such month due to the failure of the State to remit such State Payment or portion thereof for any reason or due to a negative adjustment in amounts payable to the Borrower from the State, provided that any such use of the Operating Reserve Fund shall not be permitted more than twice in any Fiscal Year, or (ii) upon the demonstration by the Borrower of extraordinary expenses which Materially Exceed (as such term is defined below) those expenses in any expense category as indicated in the Budgeted Expenses for any given year during which the Bonds shall remain Outstanding. For purposes of the Indenture, an expense shall "Materially Exceed" the Budgeted Expenses if it shall affect any expense item that (A) is outside the control of the Borrower, (B) reasonable efforts on behalf of Borrower could not have avoided it, and (C) exceeds the then current year-to-date Budgeted Expense for such expense item by not less than five percent (5%). The following are examples of expenses for which disbursements from the Operating Reserve Fund may be made: (i) unexpected repairs or replacements of equipment or facilities for which no budget item shall have been anticipated; (ii) increases in the costs of operations due to increases in utilities, fuel or other purchases of materials which are required for the operation of the Facilities; (iii) any costs, levies or fines imposed upon the Borrower as a result of the operations of Borrower at the Facilities which could or may result in a lien being imposed upon the Facilities; and (iv) costs to prosecute or defend any action or proceeding arising out of any occurrence or claim accruing or arising out of Borrower's operation of a charter school at the Facilities.

The Borrower shall submit a disbursement request in the form attached to the Loan Agreement as Exhibit F to Trustee identifying the nature and cost of any expense for which a disbursement from the Operating Reserve Fund shall be made and certify to Trustee that the disbursement is appropriate. The Borrower shall also give notice of any disbursement request to the Bondholder Representative, if applicable. The Trustee shall, upon receipt of requisitions in the form of Exhibit F to the Loan Agreement signed by an Authorized Representative of the Borrower and the Administrator, reimburse or pay as directed from the Operating Reserve Fund such amount or amounts as indicated in the disbursement request within five (5) business days.

Capital and Maintenance Reserve Fund

There shall be deposited into the Capital and Maintenance Reserve Fund as and when received (i) all moneys required to be deposited therein pursuant to the Loan Agreement or the Indenture, and (ii) all other moneys received by the Trustee when accompanied by directions from an Authorized Representative of the Borrower not inconsistent with the Loan Agreement or the Indenture that such moneys are to be paid into the Capital and Maintenance Reserve Fund. Pursuant to the Loan Agreement, the Borrower is required to make annual deposits to the Capital and Maintenance Reserve Fund in the amount of $20,000 on or before July 20 of each year,

commencing July 20, 2012, until such time as the balance in the Capital and Maintenance Reserve Fund equals the Capital and Maintenance Reserve Requirement.

If on any July 1 or January 1, commencing January 1, 2018, the amount in the Capital and Maintenance Reserve Fund is greater than the Capital and Maintenance Reserve Requirement, such excess shall be released to the Borrower. If, on or after July 20, 2017, the aggregate amount in the Capital and Maintenance Reserve Fund is less than the Capital and Maintenance Reserve Requirement (or, subsequent to July 20, 2012 but prior to July 20, 2017, is less than the amount then required to be on deposit therein in accordance with the requirements of subsection (a) above) and the deficiency is caused by (i) a decreased value of the Investment Obligations therein, (ii) a transfer from the Capital and Maintenance Reserve Fund to pay debt service, or (iii) a withdrawal from the Capital and Maintenance Reserve Fund by the Borrower pursuant to this "Capital and Maintenance Reserve Fund" Section, the Borrower agrees, pursuant to the Loan Agreement, to repay to the Trustee all amounts withdrawn in not more than 12 substantially equal monthly installments beginning on the Monthly Disbursement Date in the month following the withdrawal.

Moneys in the Capital and Maintenance Reserve Fund may be used for (i) general maintenance of the Series 2008 Facilities, extraordinary maintenance of the Series 2008 Facilities, or capital repairs (other than capital expenditures for expansion); or (ii) a capital expenditure not contemplated in the Budgeted Expenses for the year such withdrawal is being requested. The Borrower shall submit a disbursement request in the form attached to the Loan Agreement as Exhibit G to Trustee identifying the nature and cost of any expense for which a disbursement from the Capital and Maintenance Reserve Fund shall be made and certify to Trustee that the disbursement is appropriate. The Borrower shall also give notice of any disbursement request to the Bondholder Representative, if applicable. The Trustee shall, upon receipt of requisitions in the form of Exhibit G to the Loan Agreement signed by an Authorized Representative of the Borrower and the Administrator, reimburse or pay as directed from the Capital and Maintenance Reserve Fund such amount or amounts as indicated in the disbursement request within five business days.

Moneys in the Capital and Maintenance Reserve Fund also may be used for the payment of the principal of, premium if any, and interest on the Series 2008 Bonds in the event moneys in the Bond Fund and in the Operating Reserve Fund are insufficient to make such payments when due, whether on an Interest Payment Date, Principal Payment Date, or otherwise. Upon the occurrence of an Event of Default under the Indenture and the exercise by the Trustee of the remedy specified in the Loan Agreement and the Indenture, any moneys in the Capital and Maintenance Reserve Fund shall be transferred by the Trustee to the Bond Fund for the payment of the Series 2008 Bonds and applied in accordance with the Indenture. On the final maturity date of the Series 2008 Bonds, any moneys in the Capital and Maintenance Reserve Fund may, upon the direction of the Borrower be transferred to the Bond Fund and used to pay the principal of and interest on the Series 2008 Bonds on such final maturity date.

Community Investment
CORPORATION

Mr. Lee Griffin
Griffin Foundation
1844 S. Alvernon Way
Tucson, Arizona 85711

Dear Mr. Griffin:

This letter will verify that Community Investment Corporation has previously approved and lent Griffin Foundation up to $75,000. All terms and conditions were made as agreed and there are no outstanding balances. In the future, upon a request from Griffin Foundation and all terms are met, Community Investment Corporation will consider extending credit to the Foundation.

Should you have any questions, please feel free to contact me.

Sincerely,

Frank Y. Valenzuela
Executive Director

2525 East Broadway • Suite 105 • Tucson, Arizona 85716
Office 520.529.1766 • Fax 520.908.6045

GRIFFIN FOUNDATION SCHOOL DISTRICT

1844 S. Alvernon Way, Tucson, AZ 85711
www.griffinfoundation.org
Office: 520-790-8400

April 13, 2015

Lee Griffin:

1. Visa-Total Rewards card: Cash available limit $1,900.00 and credit limit $8,951.22 = $9,500.00
2. Visa-Signature card: Cash available limit $4,200.00 and credit limit $8,729.00 = $10,500.00
3. Voya Financial-Retirement Summary: Assets Balance = $30,735.00
4. Arizona State Retirement System-Balance and Service Summary: $129,116.00

$179,851.00

To Whom It May Concern:

The Griffin Foundation, Inc has been providing educational services since 1994 and we are committed to the enhancement of children well-being through education and a positive learning environment. I and my staff/faculty believe in what we are doing for the families and children of this community, whom are disadvantaged with low-income. One hundred percent (100%) of our students qualify for the Free and Reduced Lunch Program. I am willing and have always been there for the foundation if needed, and would be willing to provide financial assistance when called upon..

Sincerely,
Lee Griffin
GFSD Superintendent/CEO

The response included support for the credit cards and retirement accounts identified on the previous page. Since the credit card and account statements included sensitive personal information, they have been removed from the portfolio. Should a Board member wish to review these documents, staff will have them available at the meeting.

GRIFFIN FOUNDATION SCHOOL DISTRICT

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Office: 520-790-8400

April 14, 2015

Sandy Vaught:

Savings Accounts:

1. American Express Bank – Current Balance $7,081.74
2. Vantage West CU-Current Balance $2,780.69 Page 1
3. Church Development Fund – Current Balance $5,071.11

Retirement Accounts:

1. Voya Financial Roth - $4,442.19 as of March 31, 2015
2. State Farm 401k - $69,781.43 as of March 31,2015
3. T. Rowe Price - $8,507.99 as of March 31, 2015

Credit Cards:

1. Chase - $10,000 credit limit; $9,998.95 available
2. Citibank Advantage - $10,800 limit; all available
3. Citibank Preferred - $11,200 limit; all available
4. American Express - $11,900 limit; $11,681.31 available
5. US Bank - $6,000 limit; $5,765.64 available
6. Vantage West - $16,000 limit; $14,757.36 available Page 4

Total Available: $161,868.41

To Whom It May Concern:

I have been employed by The Griffin Foundation, Inc. for over 7 years and am committed to aiding the school in order to promote better education for the students in this area. At various times in the past, I have provided short term loans to GFSD and will continue to do so if needed.

Sincerely,

Sandy Vaught
Business Manager

The response included support for the credit cards and retirement and savings accounts identified on the previous page. Since the credit card and account statements included sensitive personal information, they have been removed from the portfolio. Should a Board member wish to review these documents, staff will have them available at the meeting.

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   Attachment: FY2014 Audit Response

   Attachment: Wells Fargo letter

   2c) Attachments: Debt Service Coverage Ratio reports

   2c) Fixed Charge Coverage Ratio

CHARTER/LEGAL COMPLIANCE

Attachment: AFR Submission Receipt

3. **Timely Submission of AFR/Budget**

AUDIT COMPLIANCE

4. **Timely Submission of Annual Audit**

5. **Audit Issues Requiring Corrective Action Plan**

6. **Repeat Issues Identified through Audits**

GRIFFIN FOUNDATION SCHOOL DISTRICT

1844 S. Alvernon Way, Tucson, AZ 85711

www.griffinfoundation.org

Office: 520-790-8400

In the last three fiscal years, the Griffin Foundation, Inc. did not meet the Board's Financial Performance Expectations for Near-Term Measures and Sustainability Measures. The failure to meet these expectations resulted from several situations:

In 2010, Full Day Kindergarten funding was cut. At the time of this funding cut, we had 3 Full Day Kindergarten classes in operation. Kindergarten is our largest grade level population each year, and the State policy change had a substantial impact on GFSD's operations. Still we provide full day care at no additional cost to our parents.

In FY2013 we also had unexpected maintenance expenditures. We had major plumbing issues as well as a 4% increase in bus repairs and fuel expenses.

State Equalization funding was reduced in education; in addition to a funding reduction in Federal grants.

We increased costs in health benefits and increased teachers' wages for GFSD to stay competitive with TUSD and keep State Certified/Highly Qualified teachers on our faculty.

Lastly, we incurred higher than normal legal fees in order to restore the National School Lunch Program for our students. Because the school is located in a 90% poverty area of Tucson, this was necessary to provide for our students' needs.

The administration and Board of Directors at the Griffin Foundation have been working diligently to improve the financial situation at the school. In the last year alone, overall expenditures were decreased by 10% from the previous fiscal year.

Payroll expenses have been cut drastically in the last few years. The following positions were eliminated: Registrar, 1 Bus Driver, 2 School Aides, and the Music Teacher.

Along with cutting one bus driver, one bus route was combined with the other routes in order to save on fuel and maintenance costs.

In FY 2014, a change was made in the communication system (phones/T-1Lines) in order to lower costs. The school is saving up to $8,000 per year. In the near future, we will be reviewing the possibility of going solar in order to save on the costs of electricity. Our average cost per year is $42,000. This would be a substantial savings for GFSD, especially once the installation of the solar system is paid in full.

For this fiscal year and FY2016, printed advertisement will continue to be distributed in the surrounding areas to increase student count. Classified advertisement will also be done both in Arizona and out of state, as well as online, to hire Certified/Highly Qualified teachers. Having highly-qualified teachers will help to improve both schools' academic scores and maintain our existing positive school environment.

GRIFFIN FOUNDATION SCHOOL DISTRICT

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Near-Term Measures

1b) Unrestricted Days Liquidity

The Griffin Foundation "Falls Far Below" for the Near-Term Measure Unrestricted Days Liquidity in both FY2013 and FY2014. Detailed below are the lines of credit and short term loans available to the Griffin Foundation in case of unforeseen circumstances.

Wells Fargo Bank – Griffin Foundation, Inc.'s Bond Accounts

- General Reserve Fund - $178,166.67 (maximum: Cash Reserve)
  - Proceeds from the Education Revenue Bonds – Griffin Foundation Project, Series 2008.

    As per Limited Operating Memorandum, "Amounts in the Operating Reserve Fund may be disbursed to the Borrower, (i) to pay all or a portion of the budgeted expenses for any month in which the failure of the State to remit such State payment or portion thereof for any reason or due to a negative adjustment in amounts payable to the Borrower from the State, provided that any such use of the Operating Reserve Fund shall not be permitted more than twice in any Fiscal Year, or (ii) upon the demonstration by the Borrower of extraordinary expenses which materially

exceed those expenses in any expense category as indicated in the budgeted expenses for any given year during which the Bonds shall remain outstanding."

- Capital & Maintenance Fund - $55,000 (current balance in fund)
  - $1,667 deposited by Griffin Foundation each month until fund meets $100,000:

    As per Limited Operating Memorandum, "Moneys in the Capital and Maintenance Reserve Fund may be used for (i) general maintenance of the Series 2008 Facilities, extraordinary maintenance of the Series 2008 Facilities, or capital repairs (other than capital expenditures for expansion); or (ii) a capital expenditure not contemplated in the Budgeted Expenses for the year such withdrawal is being requested."

Community Investment Corporation

- Line of Credit
  - Three to six month loan from $60,000 to $75,000 depending on financial need of the school district.

Related Third Party

- Short term loans to meet immediate needs
  - Lee Griffin
  - Sandy Vaught

GRIFFIN FOUNDATION SCHOOL DISTRICT

1844 S. Alvernon Way, Tucson, AZ 85711

www.griffinfoundation.org

Office: 520-790-8400

Sustainability Measures

2a) Net Income

- In FY2013 the Griffin Foundation, Inc. did not meet the Sustainability Measure for Net Income. We had higher than expected expenses, especially for building maintenance and bus transportation. Also our expected enrollment was not as high as forecasted due to the opening of a nationally recognized charter school in the near area. In addition, we have increased costs in health benefits and increased teachers' wages so that the Griffin Foundation, Inc can continue to stay competitive with TUSD and keep State Certified/Highly Qualified teachers on our faculty.

- We did meet the Net Income measure for FY2014.

- In order to maintain a positive Net Income we will continue to cut expenses when possible.

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Sustainability Measures

2b) Cash Flow (3-Year Cumulative)

- The Cash Flow (3-Year Cumulative) for FY 2012, FY2013, and FY2014 did not meet the Board's Financial Performance Expectations.

- The cash flow for FY2014 was ($106) which is a vast improvement from FY2013 which was ($60,814) and FY2012 at ($19,831). Due to the fact that we had unexpected expenses and lower revenue for FY2013, was partially due to continued State budget cuts and reduction in federal grant funding; it will take time to meet the Board's expectations for Cash Flow (3-Year Cumulative).

- Our cash flow for FY2014 would have been a positive figure if our June 30 State Equalization payment had been credited timely to the Griffin Foundation, Inc's account on June 30, 2014. Kathryn Valdivia, Vice President in the Wells Fargo Corporate Trust and Escrow Services department and the Trustee for the Griffin Foundation Bond Project, wrote a letter explaining why they failed to credit our account timely. Their delay caused our funds not to be credited until July 1, 2014. Also, included is a copy of the Corrective Action Response to the Charter Board since this affected our deposit required for our Classroom Site Fund Deferred revenue.

- The Griffin Foundation will continue to improve this measure by lowering expenses when possible and working on increasing the student count to counter continued State and Federal funding cuts and higher health benefits costs. This year we have eliminated one position in the Transportation Department and combined one bus route in order to reduce payroll and fuel expenses.

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November 25, 2014

We have read A.R.S. §15-977 and the USFRCS Memorandum No.44 and understand the requirements associated with Classroom Site Fund monies. When we did our calculations for vendor payments due in June 2014, we planned to have sufficient funds in our bank accounts to cover any deferred revenue from the Classroom Site Fund monies. Un-expectantly the June 30th State Equalization payment was deposited a day late in our account due to a processing error by Wells Fargo Bank, the Trustee for the Griffin Foundation Bond Project. Please read the letter from Kathryn Valdivia, Vice President of the Corporate Trust Division at Wells Fargo Bank, explaining the deposit delay (See Attachment).

In order to avoid future violations, we will confirm the deposit has been credited to our bank account prior to submitting vendor payments. We understand that future violations may result in disciplinary action from the Board.

Sincerely,

Lee Griffin
CEO/Superintendent

Sandy Vaught
GFSD Business Manager

Corporate Trust and Escrow Services
MAC E2064-05A
333 South Grand Avenue, 5th Floor
Suite 5A
Los Angeles, CA 90071

Fax: 213 253 7818

October 22, 2014

Sandy Vaught
Business Manager
Griffin Foundation, Inc.
1852 S. Alvernon Way
Tucson, AZ 85711-5607

Re: Industrial Development Authority of the County of Pima Education Revenue Bonds (Griffin Foundation Project), Series 2008

Dear Ms. Vaught:

Due to a heavy processing day, the pledge revenues received from the state treasurer's office on June 30, 2014 were received into the account later than usual. Once the monthly allocations were process and verified, the remaining pledge revenues in the revenue fund were available for return to the borrower. My assistant was able to initiate the outgoing wire on June 30th, but by the time the wire was ready for my approval we missed the wire cutoff time and the system automatically generated the release date to July 1, 2014.

Please do not hesitate to contact me with any questions.

Sincerely,

Kathryn Valdivia
Vice President
(213) 253-7579
Email: Kathryn.n.valdivia@wellsfargo.com

Together we'll go far

6

GRIFFIN FOUNDATION, INC.
DEBT SERVICE COVERAGE RATIO
Year Ended June 30, 2012

UNRESTRICTED REVENUES AND OTHER SUPPORT		
Tuition earned from Arizona Department of Education	$	2,002,295
Government grants		383,879
Preschool income		95,113
Other income		63,280
Before and after school and summer school income		57,457
Gain on sale of fixed asset		1,613
Contributions		1,150
Interest income		49
Total Unrestricted Revenues and Other Support		2,604,836
EXPENSES		
Program services		2,397,652
General and administrative		380,674
Total Expenses		2,778,326
(DECREASE) IN UNRESTRICTED NET ASSETS		(173,490)
Depreciation and amortization expense		295,807
Interest expense and charges incurred on outstanding bonds		376,356
INCREASE IN NET ASSETS AVAILABLE FOR DEBT SERVICE (1)	$	498,673
MAXIMUM ANNUAL DEBT SERVICE (2)	$	603,526
DEBT SERVICE COVERAGE RATIO (1) ÷ (2)		0.83

See accompanying debt service coverage ratio report and supplementary note disclosure.

GRIFFIN FOUNDATION, INC.
DEBT SERVICE COVERAGE RATIO
Year Ended June 30, 2013

UNRESTRICTED REVENUES AND OTHER SUPPORT		
Tuition earned from Arizona Department of Education	$	2,033,611
Government grants		432,877
Preschool income		69,873
Other income		102,535
Before and after school and summer school income		59,563
Gain on sale of fixed asset		-
Contributions		4,251
In kind donations		2,104
Interest income		113
Total Unrestricted Revenues and Other Support		2,704,927
EXPENSES		
Program services		2,373,612
General and administrative		518,937
Total Expenses		2,892,549
(DECREASE) IN UNRESTRICTED NET ASSETS		(187,622)
Depreciation and amortization expense		265,349
Interest expense and charges incurred on outstanding bonds		467,169
INCREASE IN NET ASSETS AVAILABLE FOR DEBT SERVICE (1)	$	544,896
MAXIMUM ANNUAL DEBT SERVICE (2)	$	638,735
DEBT SERVICE COVERAGE RATIO (1) ÷ (2)		0.85

See accompanying debt service coverage ratio report and supplementary note disclosure.

GRIFFIN FOUNDATION, INC.
DEBT SERVICE COVERAGE RATIO
Year Ended June 30, 2014

UNRESTRICTED REVENUES AND SUPPORT	
Tuition earned from Arizona Department of Education	$ 2,074,184
Government grants	551,117
Program income	14,391
Preschool income	57,650
Before and after school and summer school income	54,585
Contributions	587
In kind contributions	5,000
Interest income	5
Other income	26,545
Total Unrestricted Revenues and Support	2,784,064
EXPENSES	
Program services	2,186,439
General and administrative	458,498
Total Expenses	2,644,937
CHANGE IN UNRESTRICTED NET ASSETS	139,127
Depreciation and amortization expense	196,910
Interest expense and charges incurred on outstanding bonds	445,037
INCREASE IN NET ASSETS AVAILABLE FOR DEBT SERVICE (1)	$ 781,074
MAXIMUM ANNUAL DEBT SERVICE (2)	$ 535,622
DEBT SERVICE COVERAGE RATIO (1) ÷ (2)	1.46

See accompanying debt service coverage ratio report and supplementary note disclosure.

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Sustainability Measures

2c) Fixed Charge Coverage Ratio

- See attached Debt Service Coverage Ratio reports from FY2012, FY2013, FY2014

- In FY2012 and FY2013 our Fixed Charge Coverage Ratio did not meet the Board's Financial Performance Expectations. In FY2014 the Fixed Charge Coverage Ratio improved to 1.31 which does meet the Financial Performance Expectations.

- Our Fixed Charge Coverage Ratio was low due to cost over runs during school construction in 2008. The bond project did not cover the over runs and a note was set up with Low Mountain Construction to cover the cost. The note was paid in full in December 2013.

- Our Fixed Charge Coverage Ratio will continue to improve each year due to payment of principal on the School Bond Project. The current payment is $110,000.00 per year.

- Other debt that will be paid off soon include:

  - Monthly payment of $301 to Pawnee Lease – final payment due February 2015

  - Monthly payment of $489 to Compass Bank – final payment due March 2017

ARIZONA DEPARTMENT OF EDUCATION

Information and Financial Services

Budget Upload File Verification Page

Griffin Foundation, Inc. The

Switch to Student Counts

Home Reports Submitted File Status Summary Status Upload Districts/Charters Selection

Your submission reference is : 89503

It is recommended that you print this submission page and retain it for audit purposes

The file was successfully transmitted by Sandy Vaught for Griffin Foundation, Inc. The This means that the file was received, but the file still needs to be processed. The file could still have errors. Check the status of the file by using the 'Submitted Files Status' and the 'Reports' link on the menu above.

Information About The Uploaded File	
Submission Reference	89503
User's filename	C:\Documents and Settings\svaught\Desktop\AFR 2011 \afr11-food service.xls
Size in bytes	39424
Content Type	application/vnd.ms-excel (Excel) Click Here to Save this File Type as Default
Date/Time of Upload	10/17/2011 11:15:36 AM

Please check the Submitted File Status page to verify that your submission was processed.

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E-Mail : schoolfinance@ade.az.gov

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CHARTER/LEGAL COMPLIANCE

- Timely Submission of AFR:

  - According to the Renewal Summary Report, the Annual Financial Report was not submitted timely in 2011. During our annual audit exit interview, it was noted by the auditor that our AFR was late because it was submitted on October 17th rather than the October 15th. In 2011 the 15th fell on Saturday so we submitted the AFR on the following business day, October 17th. We discussed this with the auditor and he agreed we were timely. I have attached the Budget Upload File Verification Page and the subsequent email from ADE titled Budget Submission Results.

- Timely Submission of Budget

  - The FY2014 Approved Budget was submitted late. This was an error by the Business Manager during the summer break. In order to avoid this mistake again, the submission dates are now entered in an Outlook Calendar with pop up reminders. Also, this fiscal year, the Griffin Foundation, Inc. contracted with an outside accounting firm, ADI Business Solutions. They will be responsible for preparing all state budget reports as well as sending reminders to the Business Manager and Superintendent regarding submission deadlines.

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AUDIT COMPLIANCE

1) Timely Submission of Annual Audit

- The audit was mailed timely in 2009, but was delayed in the mail. We failed to send it Certified Mail and Return Receipt Requested, so there was no proof of timely submission. All audits have been submitted timely since 2009. When the audit was mailed, we kept the postal documentation on file for proof of submission date. Currently the audits are being submitted electronically by our auditor.

2) Audit Issues Requiring Corrective Action Plan (CAP)

- In FY2010 we had an audit finding for having missing fingerprint clearance cards for our bus drivers. Following the audit each driver applied for a clearance card.

- We had a repeat finding for missing fingerprint clearance cards in FY2011. We had new bus drivers that did not have clearance cards, but according to the regulation, we did not need cards for bus drivers since they were certified with Arizona Department of Transportation. The auditor now accepts the state certification.

- We had a custodian that had a fingerprint clearance card when he applied for employment. About one month later we received a letter stating that his card was no longer valid. We allowed him to work only in the evenings when there were no

students in the school, but according the auditor, it was not allowed. He was terminated at that time.

- We were also missing a copy of the fingerprint clearance card for substitutes sent from Substitutes Unlimited. We tried to get copies, but the company had gone out of business and we were never able to reach them.

- The list of missing fingerprint clearance cards included new teachers from out of State. They had applied for a card prior to the first day of school, but began employment before their applications were submitted. We now mail any out of State applicants the necessary documentation in order to start the process before they are hired. In the case of an emergency hire we follow the process as outlined by the Charter Board, "Agency Guidance" Bulletin #001. We have placed a copy of the bulletin, along with the "Fingerprinting Statement of Assurance" in our Standard Operating procedures manual. The Fingerprint Compliance department in charge of the procedure will monitor the process.

- The auditor noted that we had seven employees from Children Reaching for the Sky Elementary School with missing cards and six employees from Future Investment Middle School missing cards. There were four employees that were listed twice because our staff works in both schools.

3) Repeat Issues Identified through Audits

- Issue #1 FY2009 and FY2012

  - In FY2009 and FY2012 we had a repeat audit finding for "Preparation of financial statements in accordance with Generally Accepted Accounting Principles". Due to the size of the Griffin Foundation School District, it would not be cost effective to generate a complete set of Financial Statements including Note Disclosures in conformity with U.S. GAAP. As a cost saving measure, we continue to rely on an outside accountant and our auditor to assist in the preparation of the required Financial Statements, including all Note Disclosures, in accordance with U.S. GAAP. We also exercise diligence in keeping administration and the Board of Directors informed of all matters.

- Issue #2 and Issue #3 FY2012

  - In FY2012 we did not have screen shots on file of two board meetings. We were having problems with our website and were not able to post all

meetings. The issue with the website has been corrected and all meetings are posted according to USFRCS Memo No. 88.

- Issue #1 FY2013

  - In FY2013 we were missing one screen shot of a scheduled Board meeting. The screen shot was misplaced by the accounting office. In order to avoid this issue again and be in compliance with the Open Meeting Law, the screen shots are scanned as well as printed and filed with the appropriate budget forms.