

**(11) NONE OF GRIMMWAY’S SCHOOLS HAS HAD ANY SIGNIFICANT ISSUES**

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Our two charter schools have not had any significant issues in the areas of financial or operational management or student safety, nor have they otherwise experienced significant problems with statutory or regulatory compliance that could lead to revocation of the schools’ charters. Grimmway has a very strong financial position, as evidenced in detail in the attached financials and most recent audit. Annual audits conducted by independent auditors certified by the State of California have been “clean” each year of operations with no findings. (See App. G for the most recent audit and complete 3-year financials.) Our independent Board of Directors is trained annually by our back-office services provider, EdTec, in all aspects of financial management and budgeting, and reviews comprehensive financial reports at each meeting. Thanks to conservative fiscal planning, fiscal reserves currently exceed 36% of operating expenses, well in excess of the 5% reserve required of charter schools under California Ed Code.

Due to the high quality of our schools, along with the dearth of charter schools in the County, both GAA and GAS have been fully enrolled from Day 1, with waiting lists for entry. Given that school funding in California is based on ADA, full enrollment and strong annual ADA (>95% each year) have directly helped our bottom line. With population in the County growing at a steady clip,<sup>16</sup> we anticipate continued demand. Purchasing land and custom building new facilities prior to opening are clearly a significant expense, but there is a real shortage of unused District school facilities in Kern County given recent population growth such that District facilities under California’s Prop 39 law for charter use are scarce.

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<sup>16</sup> [https://www.bakersfield.com/news/bakersfield-grew-by-an-estimated-people-in-year-of-lowest/article\\_f5afc688-705f-11e9-aa8d-e70bd021bbf6.html](https://www.bakersfield.com/news/bakersfield-grew-by-an-estimated-people-in-year-of-lowest/article_f5afc688-705f-11e9-aa8d-e70bd021bbf6.html)

The State's SB740 facilities reimbursement program generates \$1,147 per student in facilities funding for each school that meets certain SED minimums (currently 60%). Moreover, the luxury of customizing a facility – and one-acre garden space – to meet our model's needs has been a tremendous asset to our program.