



# Navigator Schools

## Finance Committee

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### Date and Time

Tuesday December 5, 2017 at 5:00 PM PST

### Location

Navigator Schools Support Office, 650 San Benito Street, Suite 230, Hollister CA 95023

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### Teleconference Locations

- 83 Great Oaks Blvd., San Jose CA 95119
- 900 Island Drive, Redwood City CA 94065

### Teleconference Instructions

- Meeting ID: 748 165 415
  - Dial by phone: US: +1 646 876 9923 or +1 669 900 6833 or +1 408 638 0968
  - Join from PC, Mac, Linux, iOS or Android: <https://navigatorschools.zoom.us/j/748165415>
- 

### Agenda

#### I. Opening Items

Opening Items

##### A. Record Attendance and Guests

**B.** Call the Meeting to Order

**C.** Approve Minutes

Approve minutes for Finance Committee on October 10, 2017

## **II. Finance**

Finance

**A.** Review 2016-17 Financial Results

Highlights from 2016-17 financial results will be discussed.

**B.** 2016-17 Audited Financial Statements

Draft audited financial statements will be discussed.

**C.** Review of 2017-18 Financials with Dashboard

Highlights of the 2017-18 budget will be compared with year-to-date actuals. Significant changes to projections will be identified and discussed.

## **III. Other Business**

**A.** Review Remaining 2018-19 Budget Development Process and Timeline

Key milestones in the 2018-19 budget development process will be discussed.

## **IV. Closing Items**

**A.** Adjourn Meeting

# Coversheet

## Approve Minutes

**Section:** I. Opening Items  
**Item:** C. Approve Minutes  
**Purpose:** Approve Minutes  
**Submitted by:** Sean Martin  
**Related Material:** Minutes for Finance Committee on October 10, 2017

**RECOMMENDATION:**  
Approve the minutes of the previous meeting.

DRAFT



## Navigator Schools

### Minutes

#### Finance Committee

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##### Date and Time

Tuesday October 10, 2017 at 4:00 PM

##### Location

Conference Room, Support Office, Navigator Schools, 650 San Benito Street, Suite 230, Hollister, CA 95023

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##### Teleconference Locations

- 5858 Horton Street, Suite 451, Emeryville CA 94608
- 83 Great Oaks Blvd., San Jose CA 95119
- 900 Island Drive, Redwood City CA 94065

##### Teleconference Instructions

- Meeting ID: 451 522 623
- Dial by phone: 408 638 0968
- Join from PC, Mac, Linux, iOS or Android: <https://navigatorschools.zoom.us/j/451522623>

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##### Committee Members Present

Caitrin Wright (remote), Joyce Montgomery (remote), Nora Crivello (remote)

##### Committee Members Absent

*None*

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##### Guests Present

Ami Ortiz, Bryan Adams, Ian Connell, Kevin Sved, Sean Martin

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## I. Opening Items

### A. Record Attendance and Guests

Ian Connell is our special guest today. He is from the Charter School Growth Fund.

### B. Call the Meeting to Order

Joyce Montgomery called a meeting of the Finance Committee of Navigator Schools to order on Tuesday Oct 10, 2017 at 4:04 PM.

### C. Approve Minutes

Nora Crivello made a motion to Joyce Montgomery.

Joyce Montgomery seconded the motion.

The committee **VOTED** unanimously to approve the motion.

## II. Finance

### A. Review 2016-17 Unaudited Actuals

1. Bryan Adams presented documents and the committee members discussed the content and format. Bryan will send out a copy of the most recent monthly cash balance report.
2. Joyce recommended that an asset allocation and cash management proposal be prepared prior to the next finance committee meeting.

### B. Review of 2017-18 Financials with Dashboard

1. Ami and Bryan will reformat the financial report narrative sheet to clarify the budget for Hollister Prep School.
2. Joyce requested that any instance of contingency budgeting, if it is to be employed, should be brought to the board for consideration.
3. Joyce requested that committee documents evolve to incorporate actuals-to-date on a monthly basis in addition to a budget-to-budget interval.
4. Bryan confirmed that the summary level report page will not be included in future meeting packets per the request of committee members.
5. Attendees discussed the sustainability and implementation of STRS. Kevin referred the committee to the strategic plan for additional background information on this topic. Joyce stated that any consideration of future schools to not include STRS would require significant consideration, research, and discussion.

### C. Charter #3: Facilities and Financing

For GPS and HPS

1. Kevin provided an update on Proposition 51 applications and funding.
2. Kevin discussed Proposition 39.
3. The high-speed rail timeline has been pushed back.

Expansion

1. Kevin led a discussion focusing on expansion locations and implications for funding, including Proposition 39, the lease market, the sale market, and unused community and church spaces.
2. Joyce recommended pre-calculating a cost-per-square-foot number for facilities in target cities.
3. Caitrin commented that future Navigator Schools will likely be required to explore SB740 facilities in the early years as capitalized projects are generally not affordable until schools reach scale.

### **III. Other Business**

#### **A. Schedule Remaining 2017-18 Finance Committee Meetings**

The next finance committee meetings will take place on

- November 28th at 3:00 pm
- February 27th at 3:00 pm
- April 17th at 3:00 pm
- June 5th at 3:00 pm

Sean will send calendar invitations to all committee members within 24 hours of the adjournment of this meeting.

### **IV. Closing Items**

#### **A. Adjourn Meeting**

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 4:59 PM.

Respectfully Submitted,  
Sean Martin

# Coversheet

## Review 2016-17 Financial Results

<b>Section:</b>	II. Finance
<b>Item:</b>	A. Review 2016-17 Financial Results
<b>Purpose:</b>	Discuss
<b>Submitted by:</b>	Bryan Adams
<b>Related Material:</b>	02 Financial Summary 2016-17.pdf 01 2016_17 Financial Narrative.pdf 03 2016-17 Actuals & Budget.pdf

Navigator Schools - 2016-17 Final Results  
December 2017

Income Statement - Combined <i>CMO/GPS/HPS</i>	2016-17 Audited <u>Actuals</u>	2016-17 Original <u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
Revenue	9,860,508	9,725,917	134,591
Expenses	9,392,768	9,456,335	63,567
<b>Net Income - GAAP basis (audit)</b>	<b>467,741</b>	<b>269,582</b>	<b>198,159</b>
Less Capital Outlay	-190,113	-72,053	-118,060
Revenue less expenses & capital outlay	277,628	197,529	80,099





## 2016-17 Final Results Financial Narrative December 5, 2017

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### 2016-17 Net Income

	<u>Unaudited Actuals</u>	<u>Orig Bd Rpt</u>
CMO	\$184k	\$ 15k
Gilroy Prep	\$ 65k	\$ 50k
Hollister Prep	<u>\$219k</u>	<u>\$205K</u>
Total	\$468k	\$270k

- The Unaudited Actuals net income of \$468k exceeds the original budget by \$198k. The net income variances from the original budget by entity are as follows:
  - CMO net income favorable variance of \$169k (\$184k less \$15k) is mainly the result of the following:
    - \$300k favorable variance in salary & benefits because
      - 1) The Director of Finance left in July and was not replaced.
      - 2) Two of the CMO employees' salaries were allocated directly to the schools.
    - \$35k unfavorable variance in supplies due mostly to technology equipment, plus some furniture & supplies bought for the move to the new CMO office.
    - \$108k unfavorable variance for unbudgeted consulting services from a combination of Tesselated (strategic plan) and Abacus (financial consultant).
  - Gilroy Prep net income favorable variance of \$15k (\$65k less \$50k) is mainly the result of the following:
    - \$17k unfavorable variance in revenue from various sources as follows:
      - \$71k unfavorable variance in LCFF revenue (based on attendance).
      - \$14k favorable variance in NCLB federal revenue.
      - \$17k favorable variance in federal nutrition revenue.
      - \$87k favorable variance for mandated cost reimbursement revenue not budgeted.
    - \$32k favorable in expenses mainly from the following:
      - \$63k favorable variance in CMO fees as a result of reducing percentage charged from 19.3% to 18%.
      - \$110k unfavorable variance in technology hardware and software.
      - \$52k unfavorable variance from depreciation expense not budgeted.
      - \$44k favorable variance in classroom books and supplies.
      - \$44k favorable variance in repairs & maintenance
      - \$43k favorable variance for miscellaneous G&A (Legal, Fees & Licenses, Dues & Memberships, Liability/Property Insurance)
  - Hollister Prep net income favorable variance of \$14k (\$219k-\$205k) is the result of the following:
    - \$165k favorable variance in revenue from various sources as follows:
      - \$109k unfavorable variance in LCFF revenue (based on attendance).

- \$169k favorable variance in Other State revenue for the one time mandated cost and Prop 39 revenue (neither was budgeted).
- \$110k favorable variance in donations.
- \$151k unfavorable in expenses mainly from the following:
  - \$64k favorable variance in CMO fees as a result of reducing percentage charged from 19.3% to 18%.
  - \$192k unfavorable variance in salaries and benefits
  - \$82k unfavorable variance in technology hardware and software.
  - \$14k unfavorable variance from depreciation expense not budgeted.
  - \$32k favorable variance in classroom books and supplies.
  - \$12k favorable variance in repairs & maintenance
  - \$31k favorable variance in education consulting
  - \$3k unfavorable variance for miscellaneous G&A

Navigator Schools - 2016-17 Budget vs. Audited Actuals  
December 2017

Detail Level	Total Actuals	Total Budget	Variance Favorable (Unfavorable)	GPS Audited Actuals	GPS Budget	Variance Favorable (Unfavorable)	HPS Audited Actuals	HPS Budget	Variance Favorable (Unfavorable)	CMO Audited Actuals	CMO Budget	Variance Favorable (Unfavorable)
REVENUE:												
LCFF Revenue	6,937,894	7,118,383	-180,489	3,798,516	3,869,734	-71,218	3,139,378	3,248,649	-109,271	0	0	0
Federal Revenue	368,690	338,070	30,620	256,176	223,188	32,988	112,514	114,882	-2,368	0	0	0
Other State Revenue	946,519	757,608	188,911	473,175	453,208	19,967	473,344	304,400	168,944	0	0	0
Donations & Grants	227,644	0	227,644	7,175	0	7,175	110,469	0	110,469	110,000	0	110,000
Other Revenue	132,599	138,008	-5,409	80,287	85,708	-5,421	29,421	32,300	-2,879	22,891	20,000	2,891
CMO Management Fees	1,247,163	1,373,848	-126,685							1,247,163	1,373,848	-126,685
<b>REVENUE</b>	<b>9,860,508</b>	<b>9,725,917</b>	<b>134,591</b>	<b>4,615,329</b>	<b>4,631,838</b>	<b>-16,509</b>	<b>3,865,126</b>	<b>3,700,231</b>	<b>164,895</b>	<b>1,380,054</b>	<b>1,393,848</b>	<b>-13,794</b>
EXPENDITURES:												
Salaries	4,654,442	4,717,763	63,321	2,174,712	2,147,577	-27,135	1,725,633	1,555,996	-169,637	754,096	1,014,190	260,094
Benefits & Taxes	1,078,245	1,119,910	41,665	525,063	548,899	23,836	403,439	381,043	-22,396	149,743	189,968	40,225
Books & Supplies	1,131,367	1,084,065	-47,302	619,196	623,043	3,847	455,661	439,209	-16,452	56,510	21,813	-34,697
Services & Other Operating Expense	1,215,397	1,160,749	-54,648	495,316	515,404	20,088	483,677	492,746	9,069	236,404	152,599	-83,805
CMO Management Fees	1,247,163	1,373,848	126,685	683,733	746,859	63,126	563,430	626,989	63,559			
Capital Outlay	190,113	72,053	-118,060	85,961	29,353	-56,608	104,152	42,700	-61,452			0
<b>EXPENDITURES</b>	<b>9,516,728</b>	<b>9,528,388</b>	<b>11,661</b>	<b>4,583,981</b>	<b>4,611,135</b>	<b>27,154</b>	<b>3,735,993</b>	<b>3,538,683</b>	<b>-197,310</b>	<b>1,196,754</b>	<b>1,378,570</b>	<b>181,816</b>
<b>REVENUE LESS EXPENDITURES</b>	<b>343,781</b>	<b>197,529</b>	<b>146,252</b>	<b>31,348</b>	<b>20,703</b>	<b>10,645</b>	<b>129,133</b>	<b>161,548</b>	<b>-32,415</b>	<b>183,301</b>	<b>15,278</b>	<b>168,023</b>
GAAP Adjustments:												
Revenue Less Expenditures	343,781	197,529	146,252	31,348	20,703	10,645	129,133	161,548	-32,415	183,301	15,278	168,023
Add back Capital Outlay to Net income	190,113	72,053	118,060	85,961	29,353	56,608	104,152	42,700	61,452	0	0	0
Subtract Depreciation Expense	-66,153	0	-66,153	-52,349	0	-52,349	-13,804	0	-13,804	0	0	0
<b>Net Income - GAAP Basis 2016-17</b>	<b>467,741</b>	<b>269,582</b>	<b>198,159</b>	<b>64,960</b>	<b>50,056</b>	<b>14,904</b>	<b>219,481</b>	<b>204,248</b>	<b>15,233</b>	<b>183,301</b>	<b>15,278</b>	<b>168,023</b>
Beginning Net Assets @ 6/30/16	2,469,528			1,413,692			1,087,023			-31,187		
Net Income - GAAP Basis 2016-17	467,741			64,960			219,481			183,301		
Ending Net Assets @ 6/30/17	2,937,269			1,478,652			1,306,504			152,114		

# Coversheet

## 2016-17 Audited Financial Statements

<b>Section:</b>	II. Finance
<b>Item:</b>	B. 2016-17 Audited Financial Statements
<b>Purpose:</b>	Discuss
<b>Submitted by:</b>	Bryan Adams
<b>Related Material:</b>	04 Navigator Required Communication - SAS 114 w Exhibit A.pdf 05 Navigator Exhibit B.pdf 06 1st Draft of Navigator Schools 11_29_17.pdf



CliftonLarsonAllen LLP  
CLAconnect.com

November 30, 2017

Board of Directors  
Navigator Schools  
Hollister, CA

We have audited the financial statements of Navigator Schools (Navigator) for the year ended June 30, 2017, and have issued our reports thereon dated November 30, 2017, respectively. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance reporting*, published by the Education Audit Appeals Panel, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you March 6, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Navigator are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies has not changed during the year ended June 30, 2017. We noted no transactions entered into by Navigator during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop estimates in determining that they are reasonable in relation to the financial statements taken as a whole. A schedule of the major accounting estimates is attached to this letter.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures. The financial statement disclosures are neutral, consistent, and clear.

Board of Directors  
Navigator Schools  
Page 2

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. See Exhibit B.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 30, 2017.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Navigator's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Navigator's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Board of Directors  
Navigator Schools  
Page 3

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

### **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Navigator.

This information is intended solely for the use of the Board of Directors, management and others within Navigator and is not intended to be and should not be used by anyone other than these specified parties.

**CliftonLarsonAllen LLP**  
Glendora, CA

**Exhibit A***Summary of Significant Accounting Estimates*

Accounting estimates are an integral part of the preparation of the financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in Navigator's June 30, 2017 financial statements:

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
Valuation of receivables	Navigator does not record an allowance for doubtful accounts.	Management believes receivables are collectible since most are from governmental units. However, management reviews individual receivable balances at year end to evaluate the appropriate allowance, if any.	We reviewed management's estimate noting the method and assumptions were reasonable and in accordance with generally accepted accounting principles (GAAP) requirements.
Fixed assets and depreciation	Navigator depreciates fixed assets on a straight-line basis over the estimated useful lives of the assets.	Management reviews fixed asset listing and estimates useful life based on industry norms. Any impairment of fixed assets is identified on an annual basis.	We reviewed management's estimate noting the method and assumptions were reasonable and in accordance with generally accepted accounting principles (GAAP) requirements.
Allocation of functional expenses	The costs of providing various programs and 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 based on management's estimates.	Throughout the year management codes certain expenses based on a functional classification. For other expenses, management allocates the expenses by a method that best measures the relative degree of benefit.	We reviewed management's estimate noting the method and assumptions were reasonable, consistent with prior years, and in accordance with applicable GAAP requirements.



WPreRef: TB06-01  
 Name: Journal Entry

Preparer: \*\*\*  
 Reviewer: \*\*\*  
 Preparer 2: \*\*\*  
 Reviewer 2: \*\*\*  
 Reviewer 3: \*\*\*

Prepared by _____		Navigator Schools					12012301	
Reviewed by _____		Exhibit B					Page 1	
Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper	Misstatement
PAJE.01	Potential	06/30/17						
		0NAV-4420	Computers (<\$5k)	38,081.00				
		0NAV-9500	Accounts Payable		38,081.00			
			To accrue unrecorded liability for computers cleared received before 6/30/17			(38,081.00)	N-03	
		TOTAL		<u>38,081.00</u>	<u>38,081.00</u>	<u>(38,081.00)</u>		

**NAVIGATOR SCHOOLS**

**Operating:**

**Gilroy Prep  
Hollister Prep**

**Independent Auditor's Report  
and Financial Statements  
For the Year Ended  
June 30, 2017**

- Tentative Report -  
For Discussion Purposes Only  
Subject to Revision

# NAVIGATOR SCHOOLS

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Navigator Schools  
Gilroy, CA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Navigator Schools (Navigator), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Board of Directors  
Navigator Schools

## **Opinion**

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of Navigator as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on Navigator's financial statements as a whole. The columns by location presented in the statements of financial position, activities and cash flows and the accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2017 on our consideration of Navigator's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Navigator's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Navigator's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**  
Glendora, CA  
November 30, 2017

## NAVIGATOR SCHOOLS

STATEMENT OF FINANCIAL POSITION  
June 30, 2017

	<u>CMO</u>	<u>Gilroy Prep</u>	<u>Hollister Prep</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 197,246	\$ 1,155,789	\$ 656,574	\$ 2,009,609
Accounts receivable	-	395,974	730,523	1,126,497
Prepaid expenses and other assets	24,811	109,605	74,999	209,415
Total current assets	<u>222,057</u>	<u>1,661,368</u>	<u>1,462,096</u>	<u>3,345,521</u>
<b>LONG-TERM ASSETS:</b>				
Property, plant and equipment, net	-	193,535	119,362	312,897
Total long-term assets	-	193,535	119,362	312,897
Total assets	<u>\$ 222,057</u>	<u>\$ 1,854,903</u>	<u>\$ 1,581,458</u>	<u>\$ 3,658,418</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 44,690	\$ 401,503	\$ 212,456	\$ 658,649
Long-term debt, current portion	-	-	62,500	62,500
Total current liabilities	<u>44,690</u>	<u>401,503</u>	<u>274,956</u>	<u>721,149</u>
<b>NET ASSETS:</b>				
Unrestricted	177,367	1,435,050	1,254,709	2,867,126
Temporarily restricted net assets	-	18,350	51,793	70,143
Total net assets	<u>177,367</u>	<u>1,453,400</u>	<u>1,306,502</u>	<u>2,937,269</u>
Total liabilities and net assets	<u>\$ 222,057</u>	<u>\$ 1,854,903</u>	<u>\$ 1,581,458</u>	<u>\$ 3,658,418</u>

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

## NAVIGATOR SCHOOLS

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

	<u>CMO Unrestricted</u>	<u>Gilroy Prep Unrestricted</u>	<u>Gilroy Prep Temporarily Restricted</u>	<u>Hollister Prep Unrestricted</u>	<u>Hollister Prep Temporarily Restricted</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUES:</b>							
State revenue:							
State aid	\$ -	\$ 1,361,499	\$ -	\$ 2,467,495	\$ -	\$ -	\$ 3,828,994
Other state revenue	-	438,326	34,848	317,399	155,945	-	946,518
Federal revenue:							
Grants and entitlements	-	256,176	-	112,514	-	-	368,690
Local revenue:							
In-lieu property tax revenue	-	2,437,017	-	671,883	-	-	3,108,900
Contributions	110,000	7,175	-	110,469	-	-	227,644
Investment income	393	-	-	-	-	-	393
Other revenue	1,294,915	80,287	-	29,420	-	(1,272,415)	132,207
Amount released from restrictions	-	85,961	(85,961)	104,152	(104,152)	-	-
Total revenues and amounts released	<u>1,405,308</u>	<u>4,666,441</u>	<u>(51,113)</u>	<u>3,813,332</u>	<u>51,793</u>	<u>(1,272,415)</u>	<u>8,613,346</u>
<b>EXPENSES:</b>							
Program services	66,866	3,653,820	-	2,881,506	-	-	6,602,192
Management and general	1,129,888	921,800	-	764,140	-	(1,272,415)	1,543,413
Total expenses	<u>1,196,754</u>	<u>4,575,620</u>	<u>-</u>	<u>3,645,646</u>	<u>-</u>	<u>(1,272,415)</u>	<u>8,145,605</u>
Change in net assets	208,554	90,821	(51,113)	167,686	51,793	-	467,741
Beginning net assets	(31,187)	1,344,229	69,463	1,087,023	-	-	2,469,528
Ending net assets	<u>\$ 177,367</u>	<u>\$ 1,435,050</u>	<u>\$ 18,350</u>	<u>\$ 1,254,709</u>	<u>\$ 51,793</u>	<u>\$ -</u>	<u>\$ 2,937,269</u>

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

## NAVIGATOR SCHOOLS

STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2017

	<u>CMO</u>	<u>Gilroy Prep</u>	<u>Hollister Prep</u>	<u>Total</u>
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>				
Change in net assets	\$208,554	\$ 39,708	\$ 219,479	\$ 467,741
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	-	52,349	13,804	66,153
Change in operating assets:				
Accounts receivable	-	(113,562)	(245,025)	(358,587)
Prepaid expenses and other assets	(14,471)	155,498	166,614	307,641
Change in operating liabilities:				
Accounts payable and accrued liabilities	1,742	23,863	(130,784)	(105,179)
Net cash flows from operating activities	<u>195,825</u>	<u>157,856</u>	<u>24,088</u>	<u>377,769</u>
<b>CASH FLOWS from INVESTING ACTIVITIES:</b>				
Purchases of property, plant and equipment	-	(85,962)	(104,152)	(190,114)
Net cash from investing activities	<u>-</u>	<u>(85,962)</u>	<u>(104,152)</u>	<u>(190,114)</u>
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>				
Repayments of debt	-	-	(62,500)	(62,500)
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>(62,500)</u>	<u>(62,500)</u>
Net change in cash and cash equivalents	195,825	71,894	(142,564)	125,155
Cash and cash equivalents at the beginning of the year	<u>1,421</u>	<u>1,083,895</u>	<u>799,138</u>	<u>1,884,454</u>
Cash and cash equivalents at the end of the year	<u>\$ 197,246</u>	<u>\$ 1,155,789</u>	<u>\$ 656,574</u>	<u>\$ 2,009,609</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 398</u>	<u>\$ 398</u>

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



## NAVIGATOR SCHOOLS

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2017**

	<b>Program Services</b>	<b>Management and General</b>	<b>Total Expenses</b>
Salaries and wages	\$ 3,743,604	\$ 910,838	\$ 4,654,442
Pension expense	331,185	40,041	371,226
Other employee benefits	435,241	79,480	514,721
Payroll taxes	159,758	32,538	192,296
Management fees	-	180,335	180,335
Legal expenses	-	10,070	10,070
Accounting expenses	-	13,095	13,095
Other fees for services	157,825	140,751	298,576
Advertising and promotion expenses	750	691	1,441
Office expenses	278,037	14,655	292,692
Printing and postage expenses	5,090	3,848	8,938
Information technology expenses	10,780	-	10,780
Occupancy expenses	148,833	25,160	173,993
Travel expenses	117,596	34,691	152,287
Interest expense	-	247	247
Depreciation expense	66,153	-	66,153
Insurance expense	-	34,634	34,634
Instructional materials	1,100,316	-	1,100,316
Other expenses	47,024	21,939	68,963
	<u>\$ 6,602,192</u>	<u>\$ 1,543,413</u>	<u>\$ 8,145,605</u>

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

## NAVIGATOR SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2017

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities*** – Navigator Schools (Navigator) is a California non-profit public benefit corporation and is organized to manage and operate public charter schools. The mission of Navigator is to develop students who are proficient or advanced on the California state standards test and to prepare them to excel in college and the work place.

Navigator is funded principally through State of California public education monies received through the California Department of Education. The charters may be revoked by the sponsors for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

***Cash and Cash Equivalents*** – Navigator defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

***Use of Estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

***Basis of Accounting*** – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

***Functional Allocation of Expenses*** – Costs of providing Navigator's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

***Basis of Presentation*** – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

***Net Asset Classes*** – Navigator is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of Navigator are defined as:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of Navigator.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. Navigator currently has temporarily restricted net assets consisting of unspent Clean Energy funding.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by Navigator. Navigator does not currently have any permanently restricted net assets.

## NAVIGATOR SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2017

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Receivables** – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2017. Management believes that all receivables are fully collectible; therefore no provisions for uncollectible accounts were recorded.

**Property, Plant and Equipment** – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

**Property Taxes** – Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. Santa Clara and San Benito Counties bill and collect property taxes for all taxing agencies within the Counties and distributes these collections to the various agencies. The sponsor agencies of Navigator Schools are required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

**Revenue Recognition** – Amounts received from the California Department of Education are recognized as revenue by Navigator based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

**Contributions** – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**Income Taxes** – Navigator is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. Navigator files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

**Evaluation of Subsequent Events** – Navigator has evaluated subsequent events through November 30, 2017, the date these financial statements were available to be issued.

# NAVIGATOR SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2017

### NOTE 2: CONCENTRATION OF CREDIT RISK

Navigator maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. Navigator has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

### NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. Navigator capitalizes all expenditures for land, buildings and equipment in excess of \$3,000. Depreciation expense was \$66,153 for the year ended June 30, 2017.

The components of property, plant and equipment as of June 30, 2017 are as follows:

	<u>Gilroy Prep</u>	<u>Hollister Prep</u>
Land improvements	\$ 141,935	\$ 17,744
Equipment	208,527	125,516
Subtotal	350,462	143,260
Less: Accumulated depreciation	(156,927)	(23,898)
Total	<u>\$ 193,535</u>	<u>\$ 119,362</u>

### NOTE 4: LONG-TERM DEBT

#### California Department of Education

Navigator (Hollister Prep) received a revolving loan from the California Department of Education in the amount of \$250,000. The loan has a term of 5 years and carries an interest rate of .244%. Annual payments of principal and interest are deducted from Navigator's apportionment.

The loan repayment by year is as follows:

Year Ended	
June 30,	
2018	\$ 62,500
Total	<u>\$ 62,500</u>

## NAVIGATOR SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2017

#### **NOTE 5: COMMITMENTS**

Navigator (Gilroy Prep) signed a facility use agreement with the Gilroy Unified School District. The agreement carries a term that coincides with Navigator's charter. The agreement does not require Navigator to pay a lease amount for the use of the property, but instead Navigator pays a supervisorial oversight fees at 3% of Navigator's general purpose entitlement and categorical block grants. The supervisorial oversight fees recorded for the year ended June 30, 2016 were \$86,350.

Navigator (Hollister Prep) signed a facility agreement with Hollister Unified School District starting July 1, 2013 which requires Navigator to pay 3% of Hollister Prep School's general purpose entitlement and categorical block grants for the property. The supervisorial oversight fees recorded for the year ended June 30, 2016 were \$93,985.

#### **NOTE 6: EMPLOYEE RETIREMENT**

##### **Multi-employer Defined Benefit Pension Plans**

Qualified employees are covered under a multi-employer defined benefit pension plan maintained by agencies of the State of California.

The risks of participating in this multi-employer defined benefit pension plan is different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if Navigator chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. Navigator has no plans to withdraw from this multi-employer plan.

##### **State Teachers' Retirement System (STRS)**

##### **Plan Description**

The Navigator contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2016, total plan net assets are \$189 billion, the total actuarial present value of accumulated plan benefits is \$333 billion, contributions from all employers totaled \$3.4 billion, and the plan is 63.7% funded. The Navigator did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://www.calstrs.com).

## NAVIGATOR SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2017

#### **NOTE 6: EMPLOYEE RETIREMENT**

##### **Funding Policy**

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% of their salary. The Navigator is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for the year ended June 30, 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Navigator's contributions to STRS for the past three years are as follows:

Year Ended June 30,	Required Contribution	Percent Contributed
2015	\$ 188,042	100%
2016	\$ 265,382	100%
2017	\$ 371,226	100%

#### **NOTE 7: LINES OF CREDIT**

In July 2013, Navigator entered into a revolving line of credit agreement with Pinnacle Bank in the amount of \$100,000. It carries an interest rate of 2.25%. There was no balance as of June 30, 2017.

#### **NOTE 8: CHARTER MANAGEMENT ORGANIZATION**

Navigator charges CMO fees to each charter for management services performed during the year. Navigator (Gilroy Prep) paid CMO fees of \$708,985 for the year ended June 30, 2017. Navigator (Hollister Prep) paid CMO fees of \$563,430 for the year ended June 30, 2017. These fees were eliminated in the financial statements.

#### **NOTE 9: CONTINGENCIES**

Navigator has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, management believes that any required reimbursement would not be material.

**SUPPLEMENTARY INFORMATION**

- Tentative Report -  
For Discussion Purposes Only  
Subject to Revision



## **NAVIGATOR SCHOOLS**

### **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE For the Year Ended June 30, 2017**

Navigator Schools (Navigator), operates Gilroy Prep School and Hollister Prep School. Navigator is a California non-profit public benefit corporation and is organized to manage and operate public charter schools.

Navigator began serving students at Gilroy Prep in August 2011 and the charter school is sponsored by the Gilroy Unified School District.

Navigator began serving students at Hollister Prep in August 2013 and the charter school is sponsored by the Hollister Unified School District.

Gilroy Prep charter school number authorized by the State: 1278

Hollister Prep charter school number authorized by the State: 1507



**NAVIGATOR SCHOOLS****LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (continued)  
For the Year Ended June 30, 2017**

The Board of Directors and the Administrator as of the year ended June 30, 2017 were as follows:

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires (2 year term)</u></b>
Caitrin Wright	Chair	March 2017
Alicia Gallegos-Fambrini	Vice Chair	September 2017
Joyce Montgomery	Treasurer	April 2018
JP Anderson	Member	June 2018
John Glover	Member	June 2018
Nora Crivello	Member	June 2018

**ADMINISTRATOR**

Kevin Sved	Chief Executive Officer
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## NAVIGATOR SCHOOLS

**SCHEDULE OF INSTRUCTIONAL TIME**  
**For the Year Ended June 30, 2017**

	Instructional Minutes		Traditional	
	Requirement	Actual	Days	Status
Gilroy Prep:				
Kindergarten	36,000	54,650	180	In compliance
Grade 1	50,400	59,450	180	In compliance
Grade 2	50,400	59,450	180	In compliance
Grade 3	50,400	59,450	180	In compliance
Grade 4	54,000	59,450	180	In compliance
Grade 5	54,000	59,450	180	In compliance
Grade 6	54,000	60,550	180	In compliance
Grade 7	54,000	60,550	180	In compliance
Hollister Prep:				
Kindergarten	36,000	56,115	179	In compliance
Grade 1	50,400	58,390	179	In compliance
Grade 2	50,400	58,390	179	In compliance
Grade 3	50,400	58,390	179	In compliance
Grade 4	50,400	58,390	179	In compliance
Grade 5	50,400	58,390	179	In compliance

*See auditor's report and the notes to the supplementary information.*

## NAVIGATOR SCHOOLS

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**For the Year Ended June 30, 2017**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<b>Classroom</b>		<b>Classroom</b>	
	<u>Based</u>	<u>Total</u>	<u>Based</u>	<u>Total</u>
<b>Gilroy Prep:</b>				
TK/K-3	230.19	230.19	230.16	230.16
Grades 4-6	171.29	171.29	171.54	171.54
Grade 7	<u>57.26</u>	<u>57.26</u>	<u>57.33</u>	<u>57.33</u>
ADA Totals	<u>401.48</u>	<u>401.48</u>	<u>401.70</u>	<u>401.70</u>
<b>Hollister Prep:</b>				
TK/K-3	229.20	229.20	229.58	229.58
Grades 4-6	<u>117.26</u>	<u>117.26</u>	<u>117.48</u>	<u>117.48</u>
ADA Totals	<u>346.46</u>	<u>346.46</u>	<u>347.06</u>	<u>347.06</u>

*See auditor's report and the notes to the supplementary information.*

## NAVIGATOR SCHOOLS

**RECONCILIATION OF ANNUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

	<u><b>Gilroy Prep</b></u>	<u><b>Hollister Prep</b></u>	<u><b>Total</b></u>
June 30, 2017 Annual Financial Report			
Fund Balances (Net Assets)	\$ 1,652,115	\$ 1,324,789	\$2,976,904
Adjustments and Reclassifications:			
Increasing (Decreasing) the Fund Balance (Net Assets):			
Cash and cash equivalents	(18,349)	21,226	2,877
Accounts receivable	2,791	1,478	4,269
Accounts payable and accrued liabilities	(183,157)	(40,991)	(224,148)
Net Adjustments and Reclassifications	<u>(198,715)</u>	<u>(18,287)</u>	<u>(217,002)</u>
June 30, 2017 Audited Financial Statement			
Fund Balances (Net Assets)	<u>\$ 1,453,400</u>	<u>\$ 1,306,502</u>	<u>\$2,759,902</u>

*See auditor's report and the notes to the supplementary information.*

## NAVIGATOR SCHOOLS

### NOTES TO THE SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2017

#### NOTE 1: PURPOSE OF SCHEDULES

##### Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by Navigator and whether Navigator complied with the provisions of the Education Code.

##### Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of Navigator. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

##### Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.



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**INDEPENDENT AUDITOR'S 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***

Board of Directors  
Navigator Schools  
Gilroy, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Navigator Schools (Navigator), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated November 30, 2017.

**Internal Control Over Financial Reporting**

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

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

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



**INDEPENDENT AUDITOR'S 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***

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**  
Glendora, CA  
November 30, 2017



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors  
Navigator Schools  
Gilroy, CA

We have audited Navigator Schools' (Navigator) compliance with the types of compliance requirements described in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2017. Navigator's State compliance requirements are identified in the table below.

### Management's Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

### Auditor's Responsibility

Our responsibility is to express an opinion on Navigator's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about Navigator's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of Navigator's compliance.

### Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine Navigator's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Not applicable
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

### Opinion on State Compliance

In our opinion, Navigator complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

### Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Glendora, CA

November 30, 2017

**NAVIGATOR SCHOOLS****SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2017**

All audit findings must be identified as one or more of the following categories:

Five Digit CodeFinding Types

10000

Attendance

20000

Inventory of Equipment

30000

Internal Control

40000

State Compliance

42000

Charter School Facilities Program

50000

Federal Compliance

60000

Miscellaneous

61000

Classroom Teacher Salaries

62000

Local Control Accountability Plan

70000

Instructional Materials

71000

Teacher Misassignments

72000

School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements or state awards for the year ended June 30, 2017.

## NAVIGATOR SCHOOLS

### STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

**2016-001      Attendance: Unduplicated Local Control Funding Formula Pupil Counts      10000**

**Charter School:** Hollister Prep Charter School (#1507)

**Criteria:**

Education code section 42238.02 (b)(2) requires a charter school to submit its enrolled free and reduced-price meal eligibility, foster youth and English learner pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS). The CalPADS reports should accurately report the number of students as identified above. We tested the certified “1.18—FRPM/English Learner/Foster Youth—Student List” report for a high level of assurance on compliance through the following procedures:

- Selected a representative sample of students indicated as “No” under the “Direct Certification” column that are only free or reduced priced meal eligible (FRPM) identified under the “NSLP Program” column and verify there is a supporting documentation such as a FRPM eligibility application under federal nutrition program or an alternative household income data collection form that indicates the student was eligible for the designation.
- Selected a representative sample of students that are only English Learner (EL) eligible as identified under the “ELAS Designation” column and verified that there was supporting documentation that indicated the student was eligible for the designation.
- Selected a representative sample of students indicated as a “No” under the “Direct Certification” column that are both included in the “NSLP Program” column and the “ELAS Designation” column and verified that there was supporting documentation for at least one of the designations.

**Condition:**

Based on the testing performed on the “1.18—FRPM/English Learner/Foster Youth—Student List”, we discovered that certain students had not been reported accurately. After discussing these findings with the staff at Navigator, we were provided with revised CALPADS reports after their staff completed their review.

From these revised CALPADS reports, we selected our sample using the criteria stated above and issued a concurrence letter to the CDE.

**Effect:**

Navigator was not in compliance with Education code section 42238.02 (b)(2).

**Cause:**

It appears that management did not yet have a process in place to properly monitor the CalPADS report at the time of the error.

## NAVIGATOR SCHOOLS

### STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

#### Questioned Costs & Units:

The schedule below is the charter's certified total unduplicated pupil count and enrollment count as originally reported in the California Longitudinal Pupil Achievement Data System (CalPADS), shows increases or decreases to the unduplicated pupil count based on any audit adjustments and includes the following:

- Unduplicated pupil count adjustment based on eligibility for FRPM
- Unduplicated pupil count adjustment based on eligibility for both FRPM and EL
- The adjusted total unduplicated pupil count and enrollment counts for the charter school
- Total audited adjustment in LCFF

#### Charter School Audit Adjustments to CALPADS Data - Hollister Prep Summary

School Name	Original	Updated	Net Change	LCFF Entitlement			
	Unduplicated Pupil Count	Unduplicated Pupil Count	Unduplicated Pupil Count	Original Entitlement	Revised Entitlement	Adjustment	Supplemental Entitlement
Hollister Prep	192	233	41	2,497,308	2,510,574	13,266	360,937

#### Recommendation:

We recommend that Navigator employ a standardized monitoring process at both the site level and the management level to ensure that reporting errors are minimized and corrections made on a timely basis.

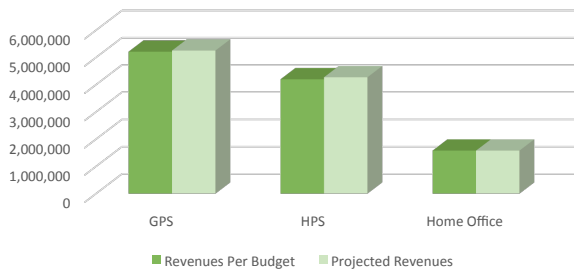
**Status:** Implemented.

# Coversheet

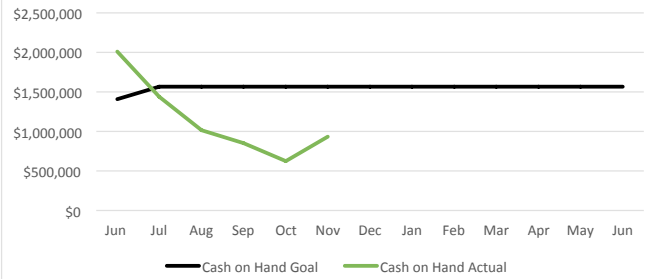
## Review of 2017-18 Financials with Dashboard

<b>Section:</b>	II. Finance
<b>Item:</b>	C. Review of 2017-18 Financials with Dashboard
<b>Purpose:</b>	Discuss
<b>Submitted by:</b>	Bryan Adams
<b>Related Material:</b>	07 Graphs.pdf 09a Balance Sheet - Combined.pdf 13 Updated Cash Flow Graph.pdf 08 Net Income Graphs.pdf 09b 2017-18 December narrative.pdf 10 Comparison 2017-18 to 2016-17.pdf 11 Financial Data-Students & Cash.pdf 12 2017-18 Budget vs. Projection.pdf

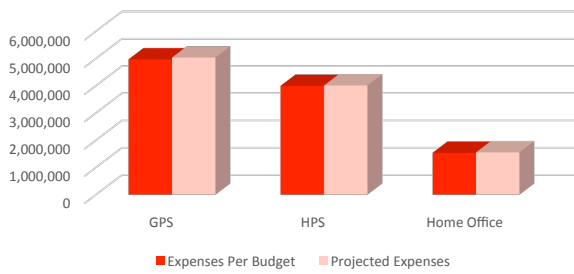
Revenue Report



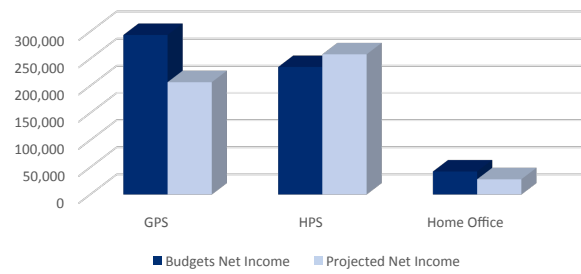
Cash Balance - Month End



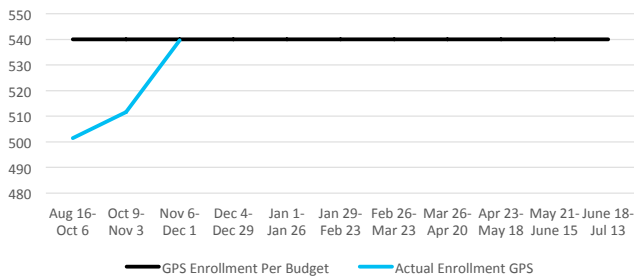
Expense Report



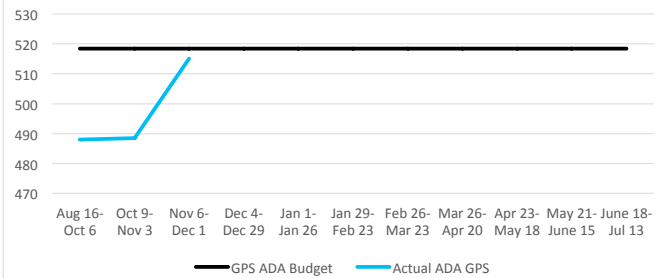
Net Income



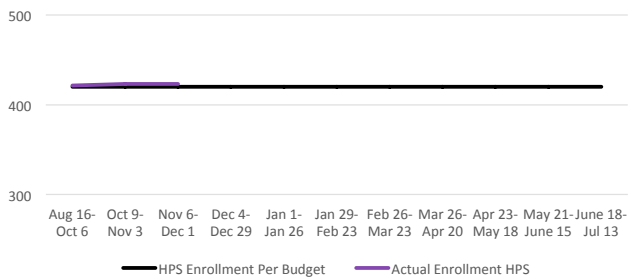
GPS Enrollment by Month



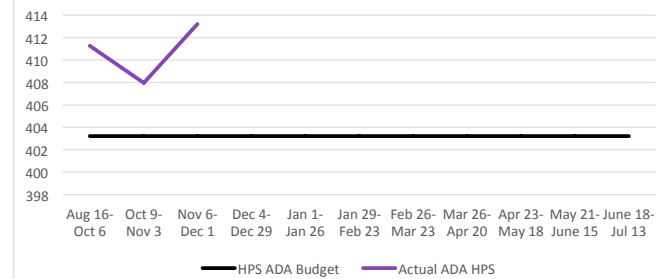
GPS ADA by Month



HPS Enrollment by Month



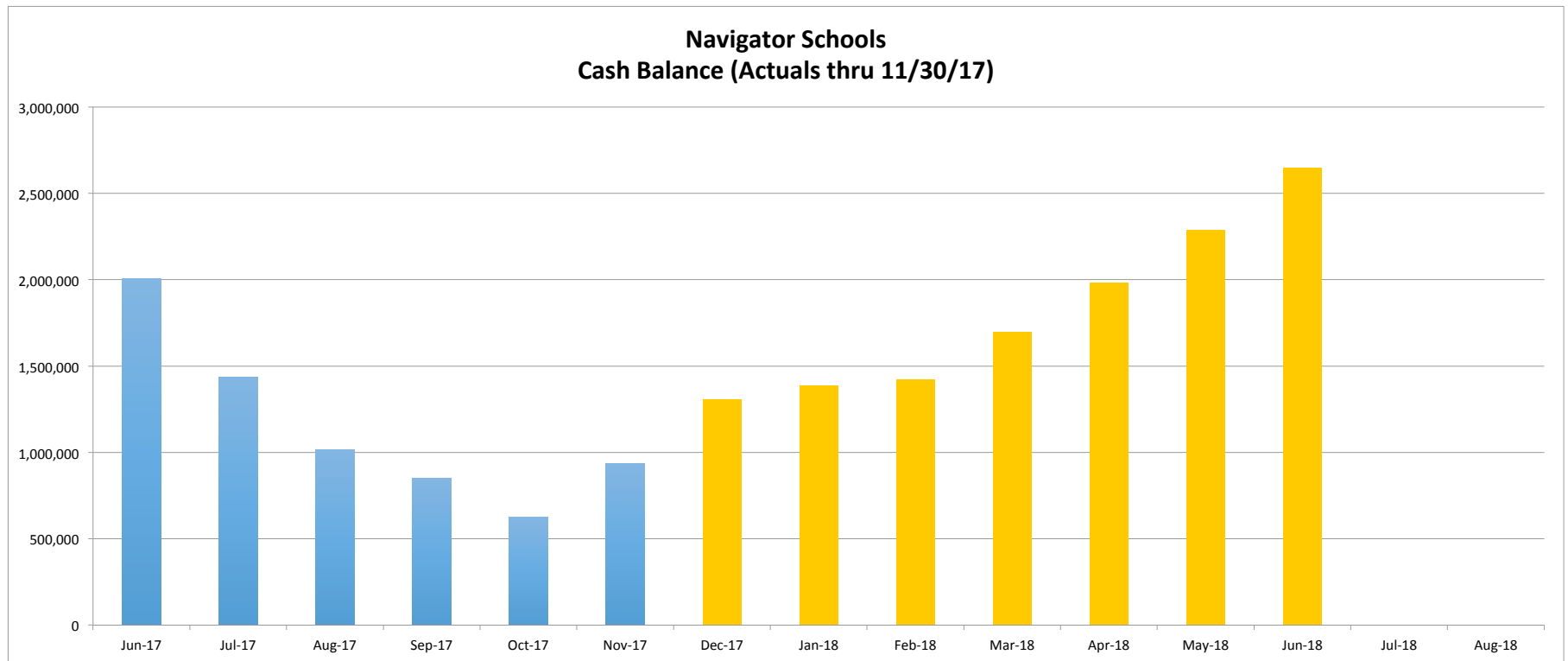
HPS ADA by Month



## Navigator Schools

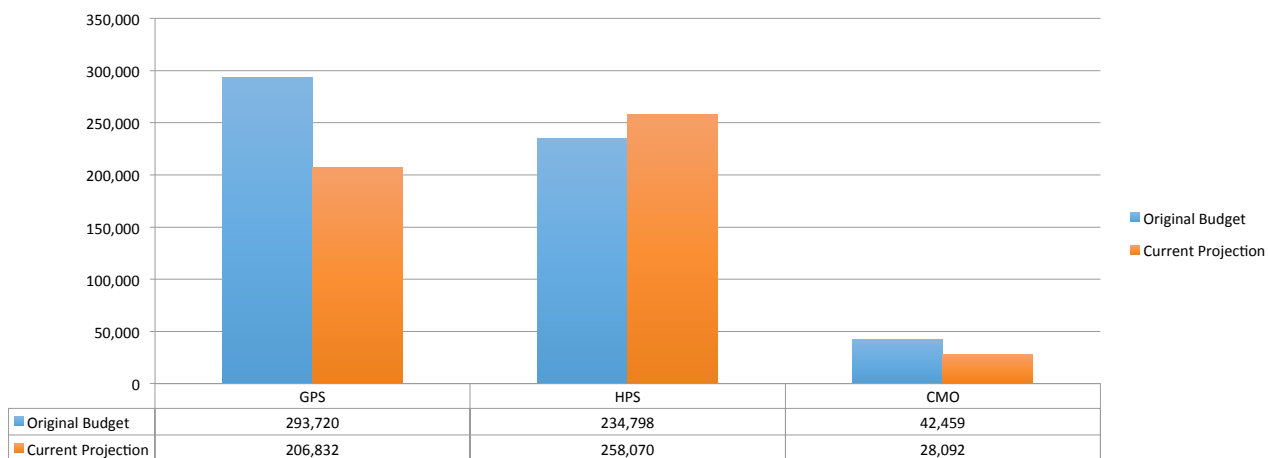
## Balance Sheet Comparison

	Actual 6/30/16	Actual 6/30/17	Actual 11/30/17
Cash	1,884,454	2,008,555	936,264
Accounts Receivable	767,909	1,126,497	205,267
Prepaid Expense	72,379	209,415	29,075
Fixed Assets, net of depreciation	188,935	312,895	312,895
<b>Total Assets</b>	<b>2,913,677</b>	<b>3,657,361</b>	<b>1,483,501</b>
Accrued Liabilities	319,149	657,592	341,738
CDE Loan Payable	125,000	62,500	52,010
<b>Total Liabilities</b>	<b>444,149</b>	<b>720,092</b>	<b>393,748</b>
Beginning Fund Balance	1,790,843	2,469,528	2,937,269
Net Income	678,685	467,741	-1,847,516
Ending Fund Balance	2,469,528	2,937,269	1,089,753
<b>Total Liabilities &amp; Fund Balance</b>	<b>2,913,677</b>	<b>3,657,361</b>	<b>1,483,501</b>

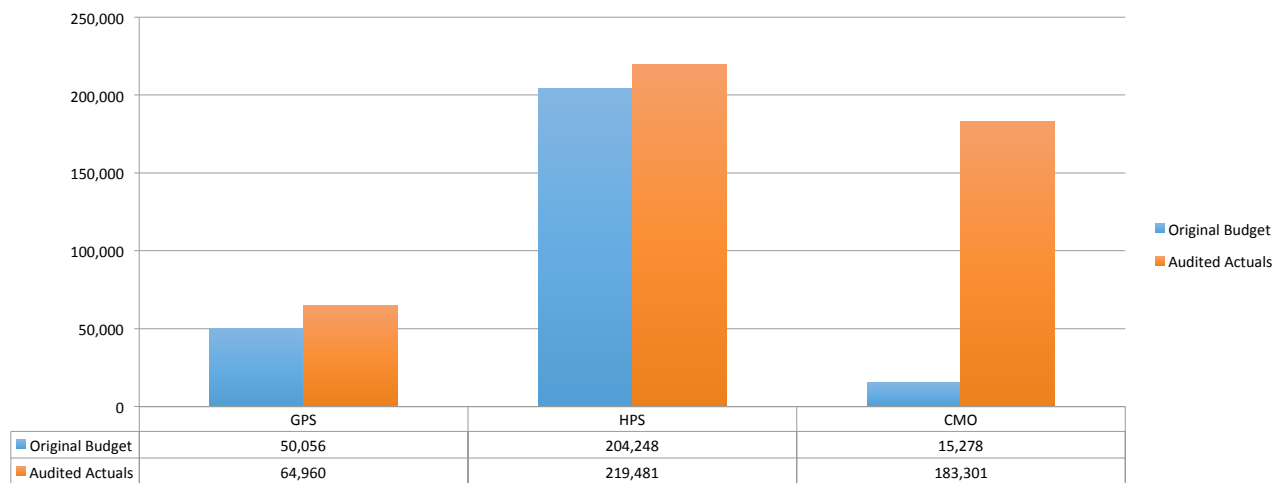




### Navigator Schools 2017-18 Net Income



### Navigator Schools 2016-17 Net Income





## 2017-18 Financial Report Narrative

### December 5, 2017

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#### 2017-18 Net Income

	<u>Current Projection</u>	<u>Orig Bd Rpt</u>
CMO	\$28k	\$42k
Gilroy Prep	\$207k	\$294k
Hollister Prep	\$258k	\$235k
Total	\$493k	\$571k

- Gilroy Prep projected net income variance highlights
  - \$68k favorable variance from one-time mandated cost not budgeted.
  - \$100k favorable variance for elimination of contingency expenses due to the process that has begun to prioritize needs that were not budgeted for.
  - \$200k unfavorable variance in salaries from staffing needs for an additional SPED paraprofessional and additional Teachers to meet staffing needs to cover Teacher absences and Maternity Leaves.
  - \$78k unfavorable variance for Books & Supplies from anticipated technology expenses that were budgeted for the 2016-17 year but, due to late arrival of product, had to be recorded in 2017-18 and for technology needs for the additional staff not originally budgeted for.
- Hollister Prep projected net income variance highlights
  - \$51k favorable variance from one-time mandated cost not budgeted.
  - \$50k favorable variance for elimination of contingency expenses due to the process that has begun to prioritize needs that were not budgeted for.
  - \$85k unfavorable variance in salaries from staffing needs for additional Teachers in Training to meet staffing needs to cover multiple Teacher Maternity Leaves.

Navigator Schools - 2017-18 Latest Projection Comparison to 2016-17 Actuals  
December 2017

Income Statement - Combined <i>CMO/GPS/HPS</i>	2017-18 Original <u>Budget</u>	<b>2017-18 Latest <u>Projection</u></b>	2016-17 Audited <u>Actuals</u>
Revenue	10,991,368	<b>11,105,332</b>	9,860,508
Expenses	10,420,391	<b>10,612,338</b>	9,392,768
<b>Net Income - GAAP basis (audit)</b>	570,977	<b>492,994</b>	467,741
Less Capital Outlay	<b>-157,550</b>	<b>-35,000</b>	<b>-190,113</b>
Revenue less expenses & capital outlay	413,427	<b>457,994</b>	277,628

	<u>2017-18</u>	<b><u>2017-18</u></b>	<u>2016-17</u>
Beginning Fund Balance	3,430,263	<b>2,937,269</b>	2,469,528
<b>Net Income - GAAP basis (audit)</b>	570,977	<b>492,994</b>	467,741
Ending Fund Balance	4,001,240	<b>3,430,263</b>	2,937,269

Revenues/Student *	9,939	<b>10,058</b>	10,254
Expenses/Student *	9,344	<b>9,544</b>	9,697
Fund Balance/Student at Year End	4,168	<b>3,573</b>	3,497

\* Revenues and Expenses per student do not include CMO Management Fee Revenue/Expense because that is an intercompany charge.

Navigator Schools - Financial Data  
December 2017

Attendance and Enrollment Data	<u>Total</u>	<u>GPS</u>	<u>HPS</u>
2017-18 ADA - Approved Budget	921.6	518.4	403.2
2017-18 Average ADA thru 11/30/17	904.4	493.61	410.8
2017-18 Average ADA % thru 11/30/17	96.8%	96.4%	97.3%
2017-18 Average Enrollment - Approved Budget	960.0	540.0	420.0
2017-18 Average Enrollment thru 11/30/17	934.2	512.0	422.2
Enrollment as of 11/30/17	962.0	539.0	423.0

	<u>Actual</u>	<u>Goal</u>
Cash balance as of 11/30/17	936,264	1,508,700
Annual Budgeted Expenditures (not including CMO Mgmt Fees)	9,052,199	9,052,199
Number of Months Cash on Hand	1.24	2.00

## Navigator Schools - 2017-18 Budget vs. Projection

December 2017

**Summary Level***Enrollment Projection*

## REVENUE:

	Total 2017-18 Original Budget	Total 2017-18 Current Projection	GPS 2017-18 Original Budget	GPS 2017-18 Current Projection	HPS 2017-18 Original Budget	HPS 2017-18 Current Projection	CMO 2017-18 Original Budget	CMO 2017-18 Current Projection
	960	960	540	540	420	420		
LCFF Revenue	8,055,232	8,055,232	4,377,511	4,377,511	3,677,721	3,677,721	0	0
Federal Revenue	403,203	427,853	270,757	293,961	132,446	133,892	0	0
Other State Revenue	771,475	872,567	441,906	469,748	329,569	402,819	0	0
Donations & Grants	156,885	157,585	16,885	17,585	10,000	10,000	130,000	130,000
Other Revenue	154,631	142,153	104,744	93,361	49,887	48,792	0	0
CMO Management Fees	1,449,942	1,449,942					1,449,942	1,449,942
REVENUE	10,991,368	11,105,332	5,211,803	5,252,166	4,199,623	4,273,224	1,579,942	1,579,942

## EXPENDITURES:

Salaries	5,166,066	5,456,244	2,301,008	2,501,864	1,831,375	1,916,879	1,033,683	1,037,501
Benefits & Taxes	1,368,284	1,368,284	639,244	639,244	529,291	529,291	199,749	199,749
Books & Supplies	829,728	935,800	485,740	564,700	290,216	312,100	53,772	59,000
Services & Other Operating Expense	1,380,571	1,350,068	553,777	516,574	576,515	577,894	250,279	255,600
CMO Management Fees	1,449,942	1,449,942	787,952	787,952	661,990	661,990		
Contingency Expenses	150,000	0	100,000	0	50,000	0	0	0
Capital Outlay	157,550	35,000	101,025	25,000	56,525	10,000	0	0
EXPENDITURES	10,502,141	10,595,338	4,968,746	5,035,334	3,995,912	4,008,154	1,537,483	1,551,850

## REVENUE LESS EXPENDITURES

	489,227	509,994	243,057	216,832	203,711	265,070	42,459	28,092
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GAAP Adjustments:

Revenue Less Expenditures	489,227	509,994	243,057	216,832	203,711	265,070	42,459	28,092
Add back Capita Outlay to Net income	157,550	35,000	101,025	25,000	56,525	10,000	0	0
Subtract Depreciation Expense	-75,800	-52,000	-50,362	-35,000	-25,438	-17,000	0	0
<b>Net Income - GAAP Basis 2017-18</b>	<b>570,977</b>	<b>492,994</b>	<b>293,720</b>	<b>206,832</b>	<b>234,798</b>	<b>258,070</b>	<b>42,459</b>	<b>28,092</b>

Beginning Net Assets @ 6/30/17 (latest projections)

	3,136,443	2,937,269	1,642,303	1,478,654	1,324,788	1,306,504	169,352	152,111
<b>Net Income - GAAP Basis 2017-18</b>	<b>570,977</b>	<b>492,994</b>	<b>293,720</b>	<b>206,832</b>	<b>234,798</b>	<b>258,070</b>	<b>42,459</b>	<b>28,092</b>
Ending Net Assets @ 6/30/18	3,707,420	3,430,263	1,936,023	1,685,486	1,559,586	1,564,574	211,811	180,203