



# Navigator Schools

## Finance Committee

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### Date and Time

Monday December 3, 2018 at 3:00 PM PST

### Location

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

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### Teleconference Locations

- 827 Broadway, Suite 300, Oakland, CA 94607
  - 83 Great Oaks Blvd, San Jose, CA 95119
  - 780 Broadway, Redwood City, CA 94063
- 

### Agenda

#### I. Opening Items

Opening Items

- A. Record Attendance and Guests
- B. Call the Meeting to Order
- C. Approve Minutes

The committee will vote on the approval of minutes from the previous meeting.

Approve minutes for Finance Committee on September 11, 2018

## **II. Finance**

### Finance

#### **A. 2017-18 Audited Financial Statements**

A. Ortiz will present 2017-18 Audited Financial Statements.

#### **B. 2018-19 Financials, Enrollment, Attendance Through 10/31**

A. Ortiz will review 2018-19 Financials, Enrollment, Attendance through 10/31.

#### **C. Preliminary 2019-20 Priorities and Budget**

A. Ortiz will present the process for developing the 2019-10 budget.

#### **D. 2018-19 Education Protection Act Expenditures**

A. Ortiz will share the staff recommendation regarding 2018-19 Education Protection Act Expenditures.

## **III. Other Business**

#### **A. Facilities Update**

Kevin Sved, CEO, will provide an update regarding long-term facilities planning for HPS and WPS.

#### **B. Schedule Next Meeting**

Members will determine a date and time for the next finance committee meeting.

## **IV. Closing Items**

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

# Coversheet

## Approve Minutes

|                          |   |
|--------------------------|---|
| <b>Section:</b>          | I. Opening Items                                    |
| <b>Item:</b>             | C. Approve Minutes                                  |
| <b>Purpose:</b>          | Approve Minutes                                     |
| <b>Submitted by:</b>     |   |
| <b>Related Material:</b> | Minutes for Finance Committee on September 11, 2018 |

APPROVED



## Navigator Schools

### Minutes

#### Finance Committee

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##### **Date and Time**

Tuesday September 11, 2018 at 4:00 PM

##### **Location**

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

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##### Teleconference Locations

- 827 Broadway, Suite 300, Oakland, CA 94607
- 83 Great Oaks Blvd, San Jose, CA 95119
- 780 Broadway, Redwood City, CA 94063

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##### **Committee Members Present**

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

##### **Committee Members Absent**

*None*

##### **Committee Members who left before the meeting adjourned**

Caitrin Wright

##### **Guests Present**

Ami Ortiz, Bryan Adams, Kevin Sved (remote), Sean Martin (remote)

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#### **I. Opening Items**



## A. Record Attendance and Guests

## B. Call the Meeting to Order

Joyce Montgomery called a meeting of the Finance Committee of Navigator Schools to order on Tuesday Sep 11, 2018 at 4:05 PM.

## C. Approve Minutes

J. Montgomery suggested we be consistent with using first initial and last names in all minutes. C. Wright advised that she attended via teleconference during the last meeting and that should be amended in the minutes. Members also requested that Rosie Segura's attendance be researched.

Caitrin Wright made a motion to approve minutes from the Finance Committee on 06-05-18 with amendments Finance Committee on 06-05-18.

Nora Crivello seconded the motion.

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

Caitrin Wright made a motion to approve minutes from the Finance Committee on 06-05-18 with amendments Finance Committee on 06-05-18.

Nora Crivello seconded the motion.

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

### Roll Call

|                  |     |
|------------------|-----|
| Nora Crivello    | Aye |
| Joyce Montgomery | Aye |
| Caitrin Wright   | Aye |

## II. Finance

### A. 2017-18 Unaudited Actuals

A. Ortiz presented unaudited actuals. J. Montgomery asked questions regarding variances. B. Adams contributed explanations. K. Sved asked a question about variances and benefits. C. Wright asked a process-related question about expenditures and school site budgets. Members discussed procedures and policies for budgetary decisions. N. Crivello asked a question regarding the language related to SPED and staffing.

### B. 2018-19 Enrollment and Attendance Update

A. Ortiz introduced attendance figures for the first month of the school year, 2018-19, for GPS and HPS. Members discussed ADA. J. Montgomery asked clarifying questions about enrollment figures versus ADA figures. A. Ortiz and K. Sved explained elements of the related charts.

### C. Status of 2017-18 Audit

The audit process was concisely summarized by A. Ortiz. J. Montgomery asked questions and offered suggestions concerning important audit dates and deadlines.

#### D. Updating Pinnacle Bank Account Signers

A. Ortiz explained this item. It will be on a the agenda for the next NS board meeting.

### III. Other Business

#### A. Facilities Update

K. Sved provided a facilities report and key next steps. He introduced the idea of creating an advisory facilities taskforce. J. Montgomery asked a question regarding the status of the search for potential community-based members. She also asked a question regarding target budgets for Watsonville Prep School. K. Sved elaborated on estimates, sources, and options related to construction, budgets, and finances. J. Montgomery asked clarifying questions and offered recommendations based on experience regarding the timeline of related tasks and events. N. Crivello and K. Sved discussed potential advisory committee volunteers. K. Sved consulted J. Montgomery regarding material revisions related to facility development, enrollment, and related timelines. She provided feedback and suggested potential strategies.  
Caitrin Wright left.

#### B. Schedule Next Meeting

A. Ortiz offered potential dates. J. Montgomery advised that we wait to choose a date after consulting our annual auditors. A. Ortiz agreed that we would schedule the next finance committee meeting after that conversation based on proposed audit dates.

### IV. Closing Items

#### A. Adjourn Meeting

Joyce Montgomery made a motion to adjourn the meeting.  
Nora Crivello seconded the motion.  
The committee **VOTED** unanimously to approve the motion.

#### Roll Call

|                  |        |
|------------------|--------|
| Joyce Montgomery | Aye    |
| Caitrin Wright   | Absent |
| Nora Crivello    | Aye    |

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 5:00 PM.

Respectfully Submitted,  
Sean Martin

# Coversheet

## 2017-18 Audited Financial Statements

|                          |   |
|--------------------------|---|
| <b>Section:</b>          | II. Finance                                 |
| <b>Item:</b>             | A. 2017-18 Audited Financial Statements     |
| <b>Purpose:</b>          | Discuss                                     |
| <b>Submitted by:</b>     |   |
| <b>Related Material:</b> | Final Draft of Navigator Audit 2018 (1).pdf |

**NAVIGATOR SCHOOLS**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2018**

**OPERATING:**

**Gilroy Prep**  
**Hollister Prep**

**NAVIGATOR SCHOOLS  
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YEAR ENDED JUNE 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Navigator Schools  
Gilroy, California

### 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, 2018, 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.

### Auditors' 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 1 present fairly, in all material respects, the financial position of Navigator as of June 30, 2018, 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 accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statement. 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 9, 2018 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 on 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, California  
November 9, 2018

**NAVIGATOR SCHOOLS**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

| <b>ASSETS</b>                            | <u>CMO</u>        | <u>Gilroy Prep</u>  | <u>Hollister Prep</u> | <u>Total</u>        |
|--|-------------------|---------------------|-----------------------|---------------------|
| <b>CURRENT ASSETS</b>                    |                   |                     |                       |                     |
| Cash and Cash Equivalents                | \$ 343,926        | \$ 1,298,583        | \$ 1,339,214          | \$ 2,981,723        |
| Accounts Receivable                      | 1,452             | 307,981             | 467,468               | 776,901             |
| Prepaid Expenses and Other Assets        | 29,720            | 71,856              | 122,639               | 224,215             |
| Total Current Assets                     | <u>375,098</u>    | <u>1,678,420</u>    | <u>1,929,321</u>      | <u>3,982,839</u>    |
| <b>LONG-TERM ASSETS</b>                  |                   |                     |                       |                     |
| Property, Plant, and Equipment, Net      | -                 | 221,237             | 103,208               | 324,445             |
| Total Long-Term Assets                   | <u>-</u>          | <u>221,237</u>      | <u>103,208</u>        | <u>324,445</u>      |
| Total Assets                             | <u>\$ 375,098</u> | <u>\$ 1,899,657</u> | <u>\$ 2,032,529</u>   | <u>\$ 4,307,284</u> |
| <b>LIABILITIES AND NET ASSETS</b>        |                   |                     |                       |                     |
| <b>CURRENT LIABILITIES</b>               |                   |                     |                       |                     |
| Accounts Payable and Accrued Liabilities | \$ 81,479         | \$ 371,544          | \$ 392,647            | \$ 845,670          |
| Total Current Liabilities                | <u>81,479</u>     | <u>371,544</u>      | <u>392,647</u>        | <u>845,670</u>      |
| <b>NET ASSETS</b>                        |                   |                     |                       |                     |
| Unrestricted                             | 293,619           | 1,528,113           | 1,536,013             | 3,357,745           |
| Temporarily Restricted                   | -                 | -                   | 103,869               | 103,869             |
| Total Net Assets                         | <u>293,619</u>    | <u>1,528,113</u>    | <u>1,639,882</u>      | <u>3,461,614</u>    |
| Total Liabilities and Net Assets         | <u>\$ 375,098</u> | <u>\$ 1,899,657</u> | <u>\$ 2,032,529</u>   | <u>\$ 4,307,284</u> |

See accompanying Notes to Financial Statements.



**NAVIGATOR SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

|                                      | CMO<br>Unrestricted | Gilroy Prep<br>Unrestricted | Gilroy Prep<br>Temporarily<br>Restricted | Hollister Prep<br>Unrestricted | Hollister Prep<br>Temporarily<br>Restricted | Eliminations | Total               |
|--------------------------------------|---------------------|-----------------------------|--|--------------------------------|---|--------------|---------------------|
| <b>REVENUES</b>                      |                     |                             |  |                                |   |              |                     |
| State Revenue:                       |                     |                             |  |                                |   |              |                     |
| State Apportionment                  | \$ -                | 1,676,318                   | \$ -                                     | 2,830,782                      | \$ -  | \$ -         | \$ 4,507,100        |
| Other State Revenue                  |                     | 568,265                     |  | 351,452                        | 52,076                                      |              | 971,793             |
| Federal Revenue:                     |                     |                             |  |                                |   |              |                     |
| Grants and Entitlements              | -                   | 295,457                     | -  | 167,731                        | -   | -            | 463,188             |
| Local Revenue:                       |                     |                             |  |                                |   |              |                     |
| In-Lieu Property Tax Revenue         | -                   | 2,706,391                   | -  | 864,133                        | -   | -            | 3,570,524           |
| Contributions                        | 400,096             | 36,967                      | -  | 33,963                         | -   | -            | 471,026             |
| Investment Income                    | 391                 | -                           | -  | -                              | -   | -            | 391                 |
| Other Revenue                        | 1,473,412           | 88,084                      | -  | 45,746                         | -   | (1,471,973)  | 135,269             |
| Net Assets Released from Restriction | -                   | 18,350                      | (18,350)                                 | -                              | -   | -            | -                   |
| Total Revenues, Net                  | 1,873,899           | 5,389,832                   | (18,350)                                 | 4,293,807                      | 52,076                                      | (1,471,973)  | 10,119,291          |
| <b>EXPENSES</b>                      |                     |                             |  |                                |   |              |                     |
| Program Services                     | 222,946             | 4,260,474                   | -  | 3,083,612                      | -   | -            | 7,567,032           |
| Management and General               | 1,509,449           | 1,061,547                   | -  | 928,891                        | -   | (1,471,973)  | 2,027,914           |
| Total Expenses                       | 1,732,395           | 5,322,021                   | -  | 4,012,503                      | -   | (1,471,973)  | 9,594,946           |
| <b>CHANGE IN NET ASSETS</b>          | 141,504             | 67,811                      | (18,350)                                 | 281,304                        | 52,076                                      | -            | 524,345             |
| Net Assets - Beginning of Year       | 152,115             | 1,460,302                   | 18,350                                   | 1,254,709                      | 51,793                                      | -            | 2,937,269           |
| <b>NET ASSETS - END OF YEAR</b>      | <u>\$ 293,619</u>   | <u>\$ 1,528,113</u>         | <u>\$ -</u>                              | <u>\$ 1,536,013</u>            | <u>\$ 103,869</u>                           | <u>\$ -</u>  | <u>\$ 3,461,614</u> |

See accompanying Notes to Financial Statements.

**NAVIGATOR SCHOOLS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018**

|  | <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   | \$ 141,504        | \$ 49,461           | \$ 333,380            | \$ 524,345          |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: |                   |                     |                       |                     |
| Depreciation   | -                 | 37,112              | 16,153                | 53,265              |
| (Increase) Decrease in Assets:   |                   |                     |                       |                     |
| Accounts Receivable  | (1,452)           | 87,993              | 263,056               | 349,597             |
| Prepaid Expenses and Other Assets  | (4,909)           | 37,749              | (47,640)              | (14,800)            |
| Increase (Decrease) in Liabilities:  |                   |                     |                       |                     |
| Accounts Payable and Accrued Liabilities   | 36,789            | (29,959)            | 180,191               | 187,021             |
| Net Cash Provided (Used) by Operating Activities   | 171,932           | 182,356             | 745,140               | 1,099,428           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                     |                       |                     |
| Purchases of Property, Plant, and Equipment  | -                 | (64,814)            | -                     | (64,814)            |
| Net Cash Provided (Used) by Investing Activities   | -                 | (64,814)            | -                     | (64,814)            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                   |                     |                       |                     |
| Repayments of Debt   | -                 | -                   | (62,500)              | (62,500)            |
| Net Cash Provided (Used) by Financing Activities   | -                 | -                   | (62,500)              | (62,500)            |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | 171,932           | 117,542             | 682,640               | 972,114             |
| Cash and Cash Equivalents - Beginning of Year  | 171,994           | 1,181,041           | 656,574               | 2,009,609           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>   | <u>\$ 343,926</u> | <u>\$ 1,298,583</u> | <u>\$ 1,339,214</u>   | <u>\$ 2,981,723</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>  |                   |                     |                       |                     |
| Cash Paid for Interest   | <u>\$ -</u>       | <u>\$ -</u>         | <u>\$ 99</u>          | <u>\$ 99</u>        |

See accompanying Notes to Financial Statements.

**NAVIGATOR SCHOOLS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

|                                    | Program<br>Services | Management<br>and General | Eliminations | Total<br>Expenses   |
|------------------------------------|---------------------|---------------------------|--------------|---------------------|
| Salaries and Wages                 | \$ 4,562,762        | \$ 1,142,944              | \$ -         | \$ 5,705,706        |
| Pension Expense                    | 443,823             | 41,344                    | -            | 485,167             |
| Other Employee Benefits            | 563,895             | 143,612                   | -            | 707,507             |
| Payroll Taxes                      | 175,875             | 31,242                    | -            | 207,117             |
| Management Fees                    | -                   | 242,090                   | -            | 242,090             |
| Legal Expenses                     | -                   | 21,059                    | -            | 21,059              |
| Accounting Expenses                | -                   | 8,575                     | -            | 8,575               |
| Instructional Materials            | 506,482             | -                         | -            | 506,482             |
| Other Fees for Services            | 211,260             | 1,603,826                 | (1,471,973)  | 343,113             |
| Advertising and Promotion Expenses | -                   | 4,947                     | -            | 4,947               |
| Office Expenses                    | 117,133             | 21,951                    | -            | 139,084             |
| Information Technology Expenses    | 180,952             | 60,567                    | -            | 241,519             |
| Occupancy Expenses                 | 155,636             | 36,059                    | -            | 191,695             |
| Travel Expenses                    | 82,401              | 63,757                    | -            | 146,158             |
| Interest Expense                   | -                   | 99                        | -            | 99                  |
| Depreciation Expense               | 53,265              | -                         | -            | 53,265              |
| Insurance Expense                  | -                   | 36,105                    | -            | 36,105              |
| Other Expenses                     | 513,548             | 41,710                    | -            | 555,258             |
| Subtotal                           | 7,567,032           | 3,499,887                 | (1,471,973)  | 9,594,946           |
| Eliminations                       | -                   | (1,471,973)               | 1,471,973    | -                   |
| Total                              | <u>\$ 7,567,032</u> | <u>\$ 2,027,914</u>       | <u>\$ -</u>  | <u>\$ 9,594,946</u> |

See accompanying Notes to Financial Statements.

**NAVIGATOR SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Navigator Schools (Navigator) is a California nonprofit 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.

**NAVIGATOR SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**Receivables**

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2018. 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, ranging from 5 years to 10 years. Navigator capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000.

**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.

**NAVIGATOR SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 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 nonprofit 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.

**Subsequent Events**

Navigator has evaluated subsequent events through November 9, 2018, the date these financial statements were available to be issued.

**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.

**NAVIGATOR SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 PROPERTY, PLANT AND EQUIPMENT**

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense was \$53,265 for the year ended June 30, 2018.

The components of property, plant, and equipment as of June 30, 2018 are as follows:

|                                      | Gilroy Prep | Hollister Prep |
|--------------------------------------|-------------|----------------|
| Land Improvements                    | 164,747     | 17,744         |
| Equipment, Furniture and Fixtures    | 250,529     | 125,516        |
| Total                                | 415,276     | 143,260        |
| Less: Accumulated Depreciation       | (194,039)   | (40,052)       |
| Total Property, Plant, and Equipment | \$ 221,237  | \$ 103,208     |

**NOTE 4 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 supervisory oversight fees at 3% of Navigator's general purpose entitlement and categorical block grants. The supervisory oversight fees recorded for the year ended June 30, 2018 were \$131,480.

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 supervisory oversight fees recorded for the year ended June 30, 2018 were \$110,610.

**NAVIGATOR SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 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, 2017, total STRS plan net assets are \$210 billion, the total actuarial present value of accumulated plan benefits is \$362 billion, contributions from all employers totaled \$4.2 billion, and the plan is 62.6% 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).

**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, 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.



**NAVIGATOR SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 EMPLOYEE RETIREMENT**

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

Funding Policy (Continued)

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

| <u>Year Ended June 30,</u> | <u>Required<br/>Contribution</u> | <u>Percent<br/>Contributed</u> |
|----------------------------|----------------------------------|--------------------------------|
| 2016                       | \$ 265,382                       | 100 %                          |
| 2017                       | 371,226                          | 100                            |
| 2018                       | 485,167                          | 100                            |

**NOTE 6 CHARTER MANAGEMENT ORGANIZATION**

Navigator charges CMO fees to each charter for management services performed during the year. Navigator (Gilroy Prep) paid CMO fees of \$788,888 for the year ended June 30, 2018. Navigator (Hollister Prep) paid CMO fees of \$683,085 for the year ended June 30, 2018. These fees were eliminated in the financial statements.

**NOTE 7 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**

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**NAVIGATOR SCHOOLS  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
YEAR ENDED JUNE 30, 2018**

Navigator Schools (Navigator) operates Gilroy Prep School and Hollister Prep School. Navigator is a California nonprofit 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

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**NAVIGATOR SCHOOLS  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

The board of directors and the administrators as of the year ended June 30, 2018 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 1, 2019                            |
| Alicia Gallegos-Fambrini | Secretary            | September 1, 2019                        |
| Joyce Montgomery         | Treasurer            | April 2, 2020                            |
| JP Anderson              | Member               | June 1, 2020                             |
| John Glover              | Member               | July 1, 2020                             |
| Nora Crivello            | Member               | June 1, 2020                             |
| John Flaherty            | Member               | March 21, 2020                           |
| Fiaau Ohmann             | Member               | March 21, 2020                           |

**ADMINISTRATORS**

|            |                         |
|------------|-------------------------|
| Kevin Sved | Chief Executive Officer |
|------------|-------------------------|

**NAVIGATOR SCHOOLS  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2018**

|                | Instructional Minutes |        | Traditional<br>Calendar | Status        |
|----------------|-----------------------|--------|-------------------------|---------------|
|                | Requirement           | Actual | Days                    |               |
| Gilroy Prep    |                       |        |                         |               |
| Kindergarten   | 36,000                | 57,300 | 180                     | In compliance |
| Grade 1        | 50,400                | 59,190 | 180                     | In compliance |
| Grade 2        | 50,400                | 59,190 | 180                     | In compliance |
| Grade 3        | 50,400                | 59,190 | 180                     | In compliance |
| Grade 4        | 54,000                | 59,190 | 180                     | In compliance |
| Grade 5        | 54,000                | 59,190 | 180                     | In compliance |
| Grade 6        | 54,000                | 60,330 | 180                     | In compliance |
| Grade 7        | 54,000                | 60,330 | 180                     | In compliance |
| Grade 8        | 54,000                | 60,330 | 180                     | In compliance |
| Hollister Prep |                       |        |                         |               |
| Kindergarten   | 36,000                | 57,165 | 180                     | In compliance |
| Grade 1        | 50,400                | 60,375 | 180                     | In compliance |
| Grade 2        | 50,400                | 60,375 | 180                     | In compliance |
| Grade 3        | 50,400                | 60,375 | 180                     | In compliance |
| Grade 4        | 54,000                | 60,375 | 180                     | In compliance |
| Grade 5        | 54,000                | 60,375 | 180                     | In compliance |
| Grade 6        | 54,000                | 62,370 | 180                     | In compliance |

See accompanying Auditors' Report and the Notes to Supplementary Information

**NAVIGATOR SCHOOLS  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2018**

|                | Second Period Report |               | Annual Report      |               |
|----------------|----------------------|---------------|--------------------|---------------|
|                | Classroom<br>Based   | Total         | Classroom<br>Based | Total         |
| Gilroy Prep    |                      |               |                    |               |
| TK/K-3         | 230.53               | 230.53        | 231.07             | 231.07        |
| Grades 4-6     | 172.88               | 172.88        | 172.87             | 172.87        |
| Grades 7-8     | 115.12               | 115.12        | 114.57             | 114.57        |
| ADA Totals     | <u>518.53</u>        | <u>518.53</u> | <u>518.51</u>      | <u>518.51</u> |
| Hollister Prep |                      |               |                    |               |
| TK/K-3         | 231.17               | 231.17        | 231.75             | 231.75        |
| Grades 4-6     | 174.52               | 174.52        | 174.82             | 174.82        |
| ADA Totals     | <u>405.69</u>        | <u>405.69</u> | <u>406.57</u>      | <u>406.57</u> |

See accompanying Auditors' Report and the Notes to Supplementary Information

**NAVIGATOR SCHOOLS  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

|   | <u>Gilroy Prep</u>  | <u>Hollister Prep</u> |
|---|---------------------|-----------------------|
| June 30, 2018 Annual Financial Report<br>Fund Balances (Net Assets)     | \$ 1,528,423        | \$ 1,639,882          |
| Adjustments and Reclassifications:                                      |                     |                       |
| Increase (Decrease) of Fund Balance<br>(Net Assets):                    |                     |                       |
| Cash and Cash Equivalents   | (12,884)            | 17,576                |
| Prepaid Expenses and Other Assets                                       | -                   | 6,761                 |
| Accounts Payable and Accrued Liabilities                                | 12,574              | (24,337)              |
| Net Adjustments and Reclassifications                                   | <u>(310)</u>        | <u>-</u>              |
| June 30, 2018 Audited Financial Statement<br>Fund Balances (Net Assets) | <u>\$ 1,528,113</u> | <u>\$ 1,639,882</u>   |

See accompanying Auditors' Report and the Notes to Supplementary Information

**NAVIGATOR SCHOOLS  
NOTES TO SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**PURPOSE OF SCHEDULES**

**NOTE 1 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 California Education Code.

**NOTE 2 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.

**NOTE 3 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 consolidated financial statements.





CliftonLarsonAllen LLP  
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**INDEPENDENT AUDITORS' 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, California

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, 2018, 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 9, 2018.

**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.

Board of Directors  
Navigator Schools

### **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 noncompliance 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, California  
November 9, 2018



CliftonLarsonAllen LLP  
CLAAconnect.com

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
Navigator Schools  
Gilroy, California

We have audited Navigator Schools' (Navigator) compliance with the types of compliance requirements described in the *2017-2018 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, 2018. 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 *2017-2018 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 the 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  | Yes                         |
| California Clean Energy Jobs Act                                    | Yes                         |
| After School Education and Safety Program                           | Not applicable              |
| Proper Expenditure of Education Protection Account Funds            | Yes                         |

Board of Directors  
Navigator Schools

| <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, 2018.

### 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 *2017-2018 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, California  
November 9, 2018

**NAVIGATOR SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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

| <u>Five Digit Code</u> | <u>Finding Types</u>              |
|------------------------|-----------------------------------|
| 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 |

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards* or the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**NAVIGATOR SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2018**

There were no findings in the prior year.

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# Coversheet

## 2018-19 Financials, Enrollment, Attendance Through 10/31

|                          |   |
|--------------------------|---|
| <b>Section:</b>          | II. Finance   |
| <b>Item:</b>             | B. 2018-19 Financials, Enrollment, Attendance Through 10/31 |
| <b>Purpose:</b>          | Discuss   |
| <b>Submitted by:</b>     |   |
| <b>Related Material:</b> | December 2018 BOD Financials.pdf                            |



2018-19 Financial Report Narrative  
December 2018 Board Meeting  
Financials through October 31, 2018

---

2018-19 Net Income

|                  | <u>Current Projection</u> | <u>Orig Bd Rpt</u> |
|------------------|---------------------------|--------------------|
| CMO              | \$52k                     | \$19k              |
| Gilroy Prep      | \$270k                    | \$299k             |
| Hollister Prep   | \$333k                    | \$505k             |
| Watsonville Prep | <u>\$362k</u>             | <u>\$326k</u>      |
| Total            | \$1M                      | \$1.1M             |

- CMO projected net income variance highlights
  - \$52k favorable variance for consulting income that was not included in original budget.
  - \$10k unfavorable variance for office furniture purchased for additional CMO staff.
  - 10k unfavorable variance for additional legal fees.
- Gilroy Prep projected net income variance highlights
  - \$35k favorable variance for State and Federal SPED entitlement expected to come in higher than originally stated.
  - \$60k unfavorable variance in salaries from staffing needs for additional staff to meet the needs of SPED students and 1 extra TNT needed for subbing purposes.
- Hollister Prep projected net income variance highlights
  - \$13k favorable variance for State and Federal SPED entitlement expected to come in higher than originally stated.
  - \$60k favorable variance from PCSGP expansion Grant not in original budget.
  - \$140k unfavorable variance in salaries from staffing needs for additional staff hired for 1:1 SPED students, additional counseling hours and a proposed additional SPED paraprofessional. In addition, 5 open positions came in with salaries higher than what was budgeted for.
  - \$89k unfavorable variance for new, upgraded middle school Apple TV's, Monitors, and 30 MacBooks that were not budgeted for.
  - \$10k unfavorable variance for classroom furniture and supplies for additional activity tables for SGI's.
- Watsonville Prep projected net income variance highlights
  - \$38k favorable variance in salaries due to a reduction in expected staff.



## Navigator Schools

## Consolidated Balance Sheet Comparison

Actuals through October 31, 2018

|   | Actual<br><u>6/30/2016</u> | Actual<br><u>6/30/2017</u> | Actual<br><u>6/30/2018</u> | Actual<br><u>10/31/2018</u> |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|
| Cash  | 1,884,454                  | 2,008,555                  | 2,981,724                  | 2,322,352                   |
| Accounts Receivable                         | 767,909                    | 1,126,497                  | 776,899                    | 48,945                      |
| Prepaid Expense                             | 72,379                     | 209,415                    | 221,301                    | 15,439                      |
| Fixed Assets, net of depreciation           | 188,935                    | 312,895                    | 324,446                    | 360,789                     |
| Other Assets                                |                            |                            | 2,915                      | 2,915                       |
| <b>Total Assets</b>                         | <b>2,913,677</b>           | <b>3,657,361</b>           | <b>4,307,284</b>           | <b>2,750,440</b>            |
| Accrued Liabilities                         | 319,149                    | 657,592                    | 845,666                    | 212,121                     |
| CDE Loan Payable                            | 125,000                    | 62,500                     | 0                          | 0                           |
| <b>Total Liabilities</b>                    | <b>444,149</b>             | <b>720,092</b>             | <b>845,666</b>             | <b>212,121</b>              |
| Beginning Fund Balance                      | 1,790,843                  | 2,469,528                  | 2,937,269                  | 3,461,617                   |
| Net Income                                  | 678,685                    | 467,741                    | 524,348                    | -923,298                    |
| Ending Fund Balance                         | 2,469,528                  | 2,937,269                  | 3,461,617                  | 2,538,319                   |
| <b>Total Liabilities &amp; Fund Balance</b> | <b>2,913,677</b>           | <b>3,657,361</b>           | <b>4,307,284</b>           | <b>2,750,440</b>            |

## Navigator Schools

## Consolidated Balance Sheet Comparison

Actuals through October 31, 2018

|   | Actual<br><u>6/30/2016</u> | Actual<br><u>6/30/2017</u> | Actual<br><u>6/30/2018</u> | Actual<br><u>10/31/2018</u> |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|
| Cash  | 1,884,454                  | 2,008,555                  | 2,981,724                  | 2,322,352                   |
| Accounts Receivable                         | 767,909                    | 1,126,497                  | 776,899                    | 48,945                      |
| Prepaid Expense                             | 72,379                     | 209,415                    | 221,301                    | 15,439                      |
| Fixed Assets, net of depreciation           | 188,935                    | 312,895                    | 324,446                    | 360,789                     |
| Other Assets                                |                            |                            | 2,915                      | 2,915                       |
| <b>Total Assets</b>                         | <b>2,913,677</b>           | <b>3,657,361</b>           | <b>4,307,284</b>           | <b>2,750,440</b>            |
| Accrued Liabilities                         | 319,149                    | 657,592                    | 845,666                    | 212,121                     |
| CDE Loan Payable                            | 125,000                    | 62,500                     | 0                          | 0                           |
| <b>Total Liabilities</b>                    | <b>444,149</b>             | <b>720,092</b>             | <b>845,666</b>             | <b>212,121</b>              |
| Beginning Fund Balance                      | 1,790,843                  | 2,469,528                  | 2,937,269                  | 3,461,617                   |
| Net Income                                  | 678,685                    | 467,741                    | 524,348                    | -923,298                    |
| Ending Fund Balance                         | 2,469,528                  | 2,937,269                  | 3,461,617                  | 2,538,319                   |
| <b>Total Liabilities &amp; Fund Balance</b> | <b>2,913,677</b>           | <b>3,657,361</b>           | <b>4,307,284</b>           | <b>2,750,440</b>            |

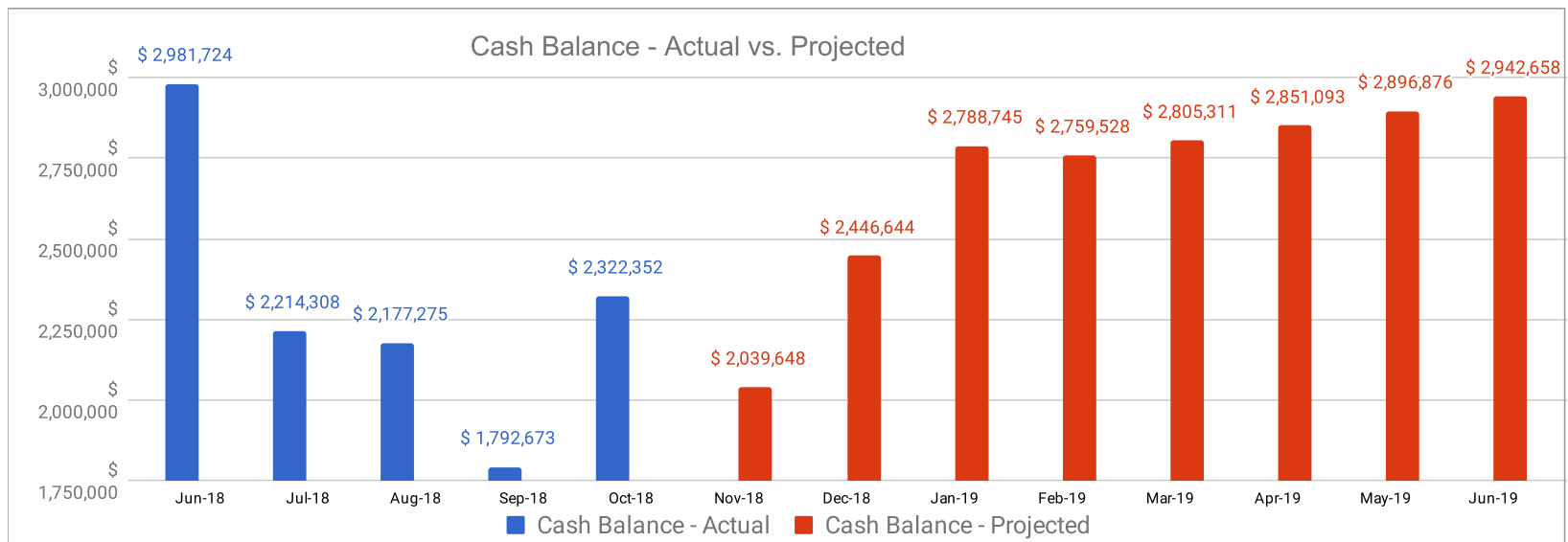
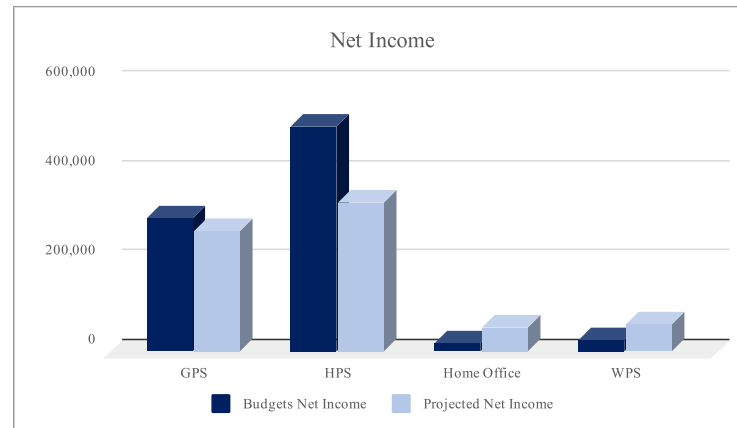
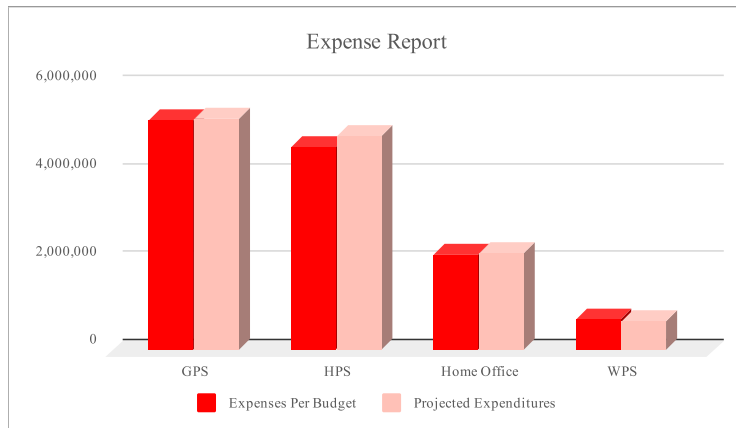
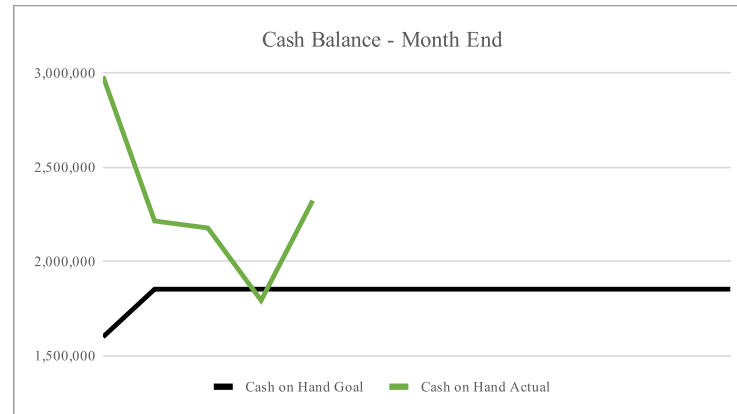
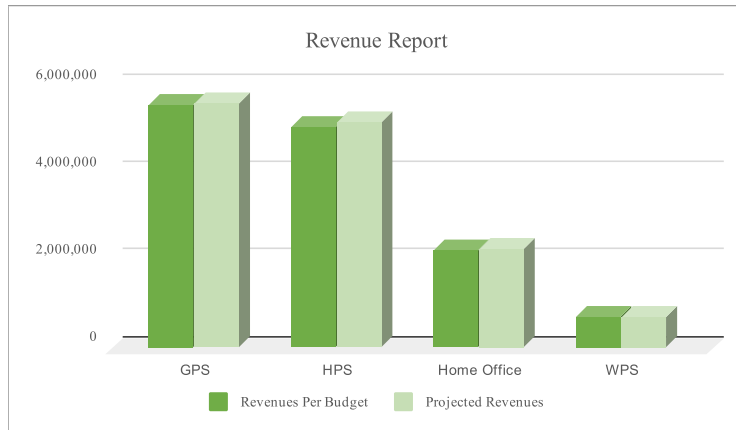
Navigator Schools - 2018-19 Unaudited Actuals Comparison to 2017-18 Actuals  
Actuals through October 31, 2018

| Income Statement - Combined<br><i>CMO/GPS/HPS/WPS</i> | 2018-19<br>Original<br><u>Budget</u> | 2018-19<br>Latest<br><u>Projection</u> | 2017-18<br>Original<br><u>Budget</u> | <b>2017-18<br/>Audited<br/><u>Actuals</u></b> | 2016-17<br>Audited<br><u>Actuals</u> |   |
|---|--------------------------------------|--|--------------------------------------|---|--------------------------------------|---|
| Revenue   | 11,960,637                           | 12,130,551                             | 10,991,368                           | <b>10,119,291</b>                             | 8,613,345                            | * |
| Expenses  | 10,811,447                           | 11,114,759                             | 10,420,391                           | <b>9,594,946</b>                              | 8,145,605                            | * |
| <b>Net Income - GAAP basis (audit)</b>                | 1,149,190                            | 1,015,792                              | 570,977                              | <b>524,345</b>                                | 467,740                              |   |
| Less Capital Outlay                                   | <b>(375,000)</b>                     | <b>(375,000)</b>                       | <b>(157,550)</b>                     | <b>(64,814)</b>                               | <b>(190,113)</b>                     |   |
| Revenue less expenses & capital outlay                | 774,190                              | 640,792                                | 413,427                              | <b>459,531</b>                                | 277,627                              |   |

|  | 2018-19<br>Original<br><u>Budget</u> | 2018-19<br>Latest<br><u>Projection</u> | 2017-18<br>Original<br><u>Budget</u> | <b>2017-18<br/>Audited<br/><u>Actuals</u></b> | 2016-17<br>Audited<br><u>Actuals</u> |
|--|--------------------------------------|--|--------------------------------------|---|--------------------------------------|
| Beginning Fund Balance                 | 3,461,617                            | 3,461,617                              | 2,937,272                            | <b>2,937,272</b>                              | 2,469,532                            |
| <b>Net Income - GAAP basis (audit)</b> | 1,149,190                            | 1,015,792                              | 570,977                              | <b>524,345</b>                                | 467,740                              |
| Ending Fund Balance                    | 4,610,807                            | 4,477,409                              | 3,508,249                            | <b>3,461,617</b>                              | 2,937,272                            |

|                                  |        |        |        |               |        |
|----------------------------------|--------|--------|--------|---------------|--------|
| Revenues/Student *               | 11,726 | 11,893 | 11,449 | <b>10,541</b> | 10,254 |
| Expenses/Student *               | 10,599 | 10,897 | 10,855 | <b>9,995</b>  | 9,697  |
| Fund Balance/Student at Year End | 4,520  | 4,390  | 3,654  | <b>3,606</b>  | 3,497  |

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

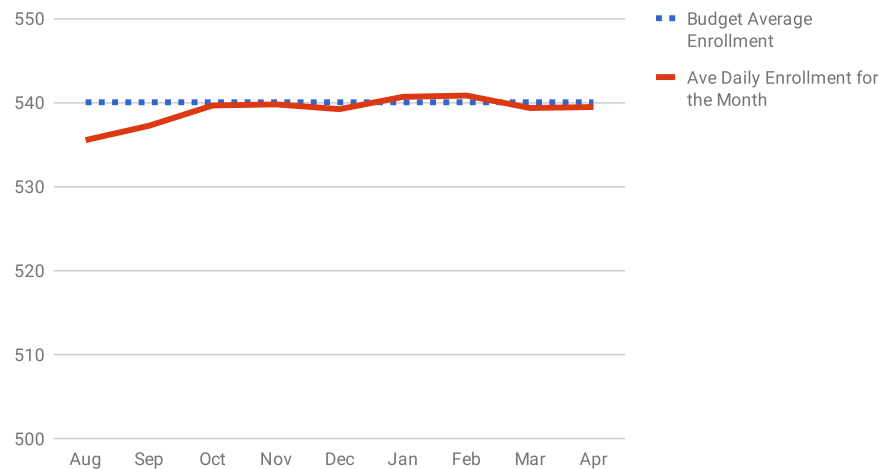


Navigator Schools - Financial Data  
Actuals through October 31, 2018

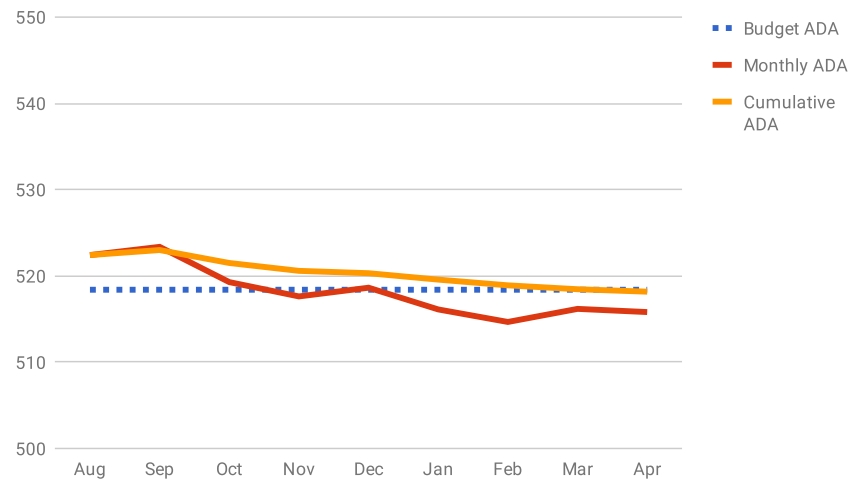
| <u>Attendance and Enrollment Data</u>  | <u>Total</u> | <u>GPS</u> | <u>HPS</u> |
|--|--------------|------------|------------|
| 2018-19 ADA - Approved Budget          | 979.2        | 518.4      | 460.8      |
| 2018-19 ADA thru 10/31/2018            | 983.0        | 519.2      | 463.8      |
| 2018-19 ADA % thru 10/31/2018          | 96.8%        | 96.9%      | 96.7%      |
|  |              |            |            |
| 2018-19 Enrollment - Approved Budget   | 1020.0       | 540.0      | 480.0      |
| 2018-19 Ave Enrollment thru 10/31/2018 | 1015.6       | 535.9      | 479.7      |
| Enrollment as of 10/31/2018            | 1017.0       | 537.0      | 480.0      |

|   | <u>Actual</u> |
|---|---------------|
| Cash balance as of 10/31/2018                     | 2,322,352     |
| Annual Expenditures (not including CMO Mgmt Fees) | 11,437,759    |
| Number of Months Cash on Hand                     | 2.44          |

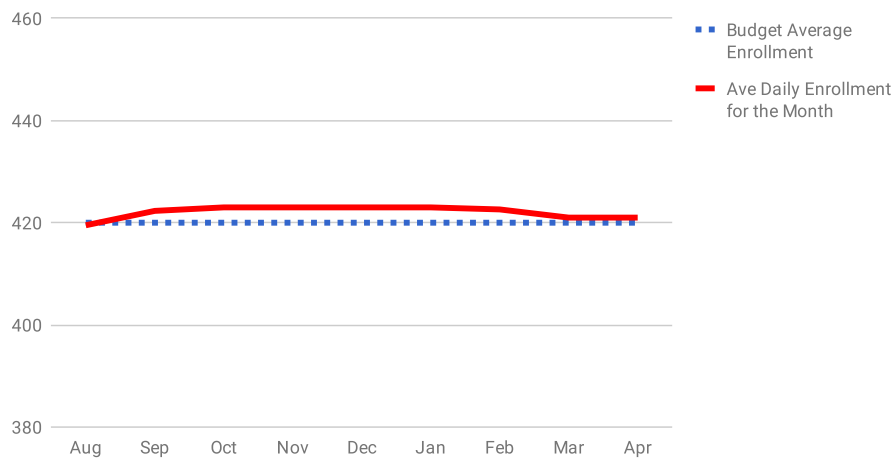
### GPS Enrollment



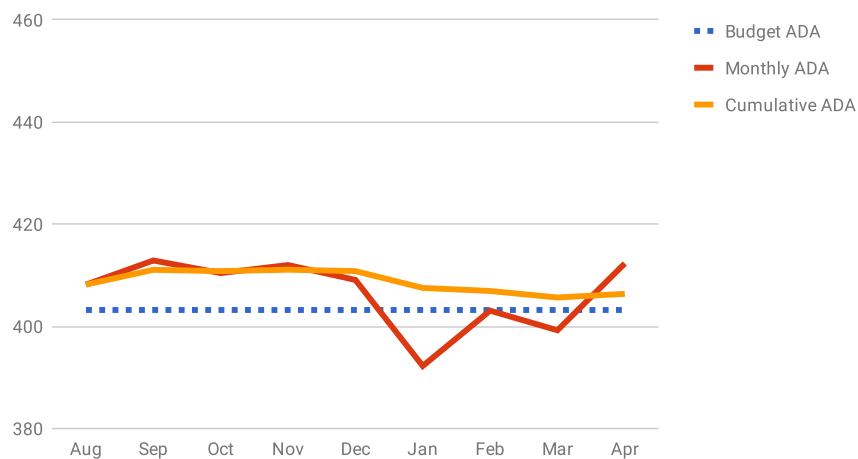
### GPS ADA



### HPS Enrollment



### HPS ADA



# Coversheet

## Preliminary 2019-20 Priorities and Budget

|                          |  |
|--------------------------|--|
| <b>Section:</b>          | II. Finance                                  |
| <b>Item:</b>             | C. Preliminary 2019-20 Priorities and Budget |
| <b>Purpose:</b>          | Discuss                                      |
| <b>Submitted by:</b>     |  |
| <b>Related Material:</b> | 2019-20_Budget_Planning_Presentation.pdf     |



# Navigator Schools

Charting a new course in education

## 2019-20 BUDGET Planning Presentation

Board Meeting: December 11, 2018







## LCAP and Budget Process:

1. Begin planning in December 2018
2. Meet with Stakeholders in January 2019 to set LCAP goals and budget needs
  - ❖ Site Leadership
  - ❖ Director of IT & Ops
  - ❖ Director of Student Services
  - ❖ CEO
  - ❖ Human Resources





### LCAP and Budget Process Continued:

3. Preliminary LCAP and Budget presented to Board of Directors in February at the public board meeting
4. Review draft LCAP and budget with Stakeholders in March 2019
5. Final draft LCAP presented to Board of Directors on April 30, 2019 for approval
6. Final draft budget presented to Board of Directors on June 18, 2019 for adoption





## 2019-20 Budget Assumptions

|  | <b>GPS</b>       | <b>HPS</b>       | <b>WPS</b>     |
|--|------------------|------------------|----------------|
| <b>Enrollment/ADA<br/>Projection Grade<br/>Span:</b> | 540 / 96%<br>K-8 | 540 / 96%<br>K-8 | 180/96%<br>K-2 |
| <b>LCFF Funded at:</b>                               | 100%             | 100%             | 100%           |
| <b>2019-20<br/>COLA increase</b>                     | 2.57%            | 2.57%            | 2.57%          |
| <b>Salary Increases:</b>                             | 3%               | 3%               | 3%             |



## Key Changes from 2018-19 Budget

- ❖ Hollister Prep grows to K-8 adding 60 students, 2 teachers and 1 SGI
- ❖ Support Office growth to support growing network
- ❖ WPS opens with grades K-2



## 2019-20 Budget Variables

- ❖ WPS approval
- ❖ Greenlighting for School #4
- ❖ Scaling Initiative
- ❖ State Budget
- ❖ Economy

# Coversheet

## 2018-19 Education Protection Act Expenditures

|                          |  |
|--------------------------|--|
| <b>Section:</b>          | II. Finance                                      |
| <b>Item:</b>             | D. 2018-19 Education Protection Act Expenditures |
| <b>Purpose:</b>          | Discuss  |
| <b>Submitted by:</b>     |  |
| <b>Related Material:</b> | Staff Recommendation for EPA Spending.pdf        |



Date: December 11, 2018

To: Board of Directors

From: Ami Ortiz, Director of Business & Finance

Re: Education Protection Act (EPA) Approval

### Recommendation

It is recommended that the Board approve the EPA Spending Plan for Fiscal Year 2018-19.

### Background

It is required that the Board of Directors approves the EPA Spending Plan on a yearly basis. Navigator Schools has consistently spent the EPA funds on Certificated Teacher Salaries throughout the years. Below you will find the proposed 2018-19 revenue and expenditure budget.

|  |                    | <b>Gilroy Prep</b> | <b>Hollister Prep</b> |
|--|--------------------|--------------------|-----------------------|
|  | <b>Object Code</b> | <b>Amount</b>      | <b>Amount</b>         |
| <b>Revenue</b>                         |                    |                    |                       |
| Education Protection Act               | 8012               | \$ 103,000         | \$ 81,138             |
|  |                    |                    |                       |
| <b>Expenditures</b>                    |                    |                    |                       |
| Certificated Salaries-Teacher Salaries | 1100               | \$ 103,000         | \$ 81,138             |

### Summary

Staff recommends the Board to approve the above EPA Spending Plan for Fiscal Year 2018-19.

# Coversheet

## Facilities Update

|                          |                                      |
|--------------------------|--------------------------------------|
| <b>Section:</b>          | III. Other Business                  |
| <b>Item:</b>             | A. Facilities Update                 |
| <b>Purpose:</b>          | Discuss                              |
| <b>Submitted by:</b>     |                                      |
| <b>Related Material:</b> | Navigator Finance Mtg Facilities.pdf |





## Navigator Schools Finance Committee Meeting - Watsonville Facility Update

December 3, 2018



Pacific Charter School Development, Inc.  
1111 Broadway, 3<sup>rd</sup> Floor  
Oakland, CA 94607

T: 213.542.4700 | F: 213.542.4701  
[www.pacificcharter.org](http://www.pacificcharter.org)



## Agenda

- Project Affordability
- Site Search Update
- Next Steps

## Review from October 2<sup>nd</sup> Board Meeting: School Facility Development

- Site Selection & Control
- Governmental Approvals
- **Financing**
  - Challenge of small initial enrollment
- Construction

## Financial challenge of small initial enrollment and adding one grade per year

**Navigator's growth model starts with grades K-2 and adds one grade each year to reach full enrollment in Year 7, serving grades K-8**

- This slow, but steady, growth has shown proven academic success in Navigator's other schools
- Year 1 enrollment = 180 students
- Year 7 enrollment = 540 students

**The amount the school can afford to pay for facilities changes dramatically as the school grows (but it is not practical to revisit the facility situation every year)**

- PCSD considers a project to be affordable if the ongoing annual facility costs are in the range of \$1,200-1,500/ADA (or less!) and the school is receiving SB740 rent revenue
  - Facility costs include lease payments and/or debt service
  - Generally, lenders like to see that facility costs (including utilities) are less than 15% of regularly recurring revenue (federal, state, and local)
- In Year 1, with 180 students, WPS could afford a \$1.7 million loan \*
- In Year 7, with 540 students, WPS could afford a \$8.9 million loan \*

\* Assumes \$1,500/ADA; Ground lease = \$12,000/month; Loan terms = 5.5% interest rate, 25-year amortization; See appendix for more detail.

## Case Study: Assessing a Site for Affordability

**Navigator has identified a 1.5 acre parcel of land that is available for a long-term ground lease**

- Ground lease rate = \$12,000/month
- PCSD will be able to invest up to \$2 million to a long-term facility solution
- PCSD developed a project budget based on a construction cost estimate for a TK-8 facility:

| PROJECT USES              |                     | PROJECT SOURCES        |                     |
|---------------------------|---------------------|------------------------|---------------------|
| Hard Costs                | \$12,000,000        | PCSD Capital           | \$2,000,000         |
| Soft Costs                | \$1,400,000         | NS Equity Contribution | \$4,246,000         |
| Finance Costs             | \$360,000           | Loan                   | \$8,934,000         |
| Contingencies             | \$1,380,000         |                        |                     |
| <b>Total Project Cost</b> | <b>\$15,180,000</b> | <b>Total Sources</b>   | <b>\$15,180,000</b> |

**This scenario requires a significant equity contribution from Navigator Schools (>\$4 million), and the loan payments are only affordable to the school at full enrollment.**

- An interim solution must be found for the school's initial years
- Any long-term solution will likely involve significant fundraising by Navigator

## Agenda

- Project Affordability
- Site Search Update
- Next Steps

## Sites Under Consideration





## 545 Ohlone Parkway, Watsonville





## 545 Ohlone Parkway, Watsonville

### Short-term and Long-term

- 2.1 Acres
- Industrial Zone (City is in process of changing to Residential)
- Vacant, Former Distribution Center
- 9,000 sf total, 6,000 office + 3,000 warehouse
- Asking Price is \$9,000/month; renovation costs unknown
- Risks: Timing, renovation expense
- Next Steps:
  - Architectural feasibility (visiting site today)
  - Follow up meeting with city

## 505 San Juan Road, Pajaro



## 505 San Juan Road, Pajaro

### Short-term (Years 1 and 2) Long-term, possible but would require adjacent land.)

- 1.25 Acres
- Agricultural (County provided Conditional Use Permit for Current Use)
- Currently used as a Retreat Center, primarily Friday-Sunday, 9 weekends a year
- Approx 22,000 sf total, 8 classroom-sized rooms, large hall, kitchen
- Asking Price: negotiable, Renovation costs unknown
- Risks: Shared space and related logistics, renovation expense
- Next Steps:
  - Meeting with representative today regarding their Board's interest
  - If still interested, meet with planning department

## Other Potential Sites

### Short-Term

- 3 different churches at various stages of exploration
- 1 private high school that has surplus space
- Cabrillo College available classrooms (shared space, used mostly in evenings)

### Long-Term

- Vacant 1.5 acre lot

## Agenda

- Project Affordability
- Site Search Update
- Next Steps

## Next Steps

- Determine feasibility for short-term options
- Plan special board meeting for January after SBE meeting to approve facility deal.

\* Assumes \$1,500/ADA; Ground lease = \$12,000/month; Loan terms = 5.5% interest rate, 25-year amortization; See appendix for more detail.

# APPENDIX

## Affordability – Operational Sources: SB740 Rent Revenue

- Has been up to \$750/ADA or 75% of lease expense, whichever is less for a number of years
- This increased to \$1,117/ADA in FY17-18, but charter school partners have recommended a 20% discount
  - $\$1,117/\text{ADA} * 0.8$  (discounted rate) = **\$854/ADA**
- The Governor's January Proposed Budget for FY18-19 has SB740 rate proposed with 2.51% increase, or \$1,145
  - With a 20% discount:  $\$1,145/\text{ADA} * 0.8 = \textbf{\$916/ADA}$
- **PCSD does not advise on which SB740 calculation to use; only that the program has a long stable history and some assumption of SB740 rent revenue should be included in school's projections**



## Affordability – Operational Uses: Facility Costs

- Debt Service calculation
  - To determine the size of loan that is affordable to the school, we need to know how much debt service is affordable
  - $(\$1,500/\text{ADA} * \text{ADA}) - \text{ground lease payments} = \text{affordable DS}$
  - Year 1:
    - $\$1,500/\text{ADA} * 180 * .95 = \$270,00 - \$144,000 = \$126,000$  annual loan payment
    - $\text{PV}(5.5\%, 25, 126000) = \$1,690,000$  loan
  - Year 7:
    - $\$1,500/\text{ADA} * 540 * .95 = \$810,000 - \$144,000 = \$666,000$  annual loan payment
    - $\text{PV}(5.5\%, 25, 666000) = \$8,933,000$  loan

## Case Study: Cash Flow Calculations

|                                       | 7/1/19              | 7/1/20              | 7/1/21              | 7/1/22              | 7/1/23              | 7/1/24             | 7/1/25            |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|-------------------|
|                                       | 6/30/20             | 6/30/21             | 6/30/22             | 6/30/23             | 6/30/24             | 6/30/25            | 6/30/26           |
| Enrollment                            | 180                 | 240                 | 300                 | 360                 | 420                 | 480                | 540               |
| ADA %                                 | 95%                 | 95%                 | 95%                 | 95%                 | 95%                 | 95%                | 95%               |
| ADA (95%) (PCSD estimate)             | 171                 | 228                 | 285                 | 342                 | 399                 | 456                | 513               |
| Difference to Max Capacity            | 360                 | 300                 | 240                 | 180                 | 120                 | 60                 | 0                 |
| Lease Payment per Enrollment          | 1,500               | 1,500               | 1,500               | 1,500               | 1,500               | 1,500              | 1,500             |
| Annual Lease Payment from Lease       | 270,000             | 360,000             | 450,000             | 540,000             | 630,000             | 720,000            | 810,000           |
|                                       |                     |                     |                     |                     |                     |                    |                   |
| <b>CASH INFLOW</b>                    |                     |                     |                     |                     |                     |                    |                   |
| Lease Income                          | 270,000.00          | 360,000.00          | 450,000.00          | 540,000.00          | 630,000.00          | 720,000.00         | 810,000.00        |
| Other Income                          |                     |                     |                     |                     |                     |                    |                   |
| <b>Subtotal - Cash Inflow</b>         | <b>270,000.00</b>   | <b>360,000.00</b>   | <b>450,000.00</b>   | <b>540,000.00</b>   | <b>630,000.00</b>   | <b>720,000.00</b>  | <b>810,000.00</b> |
|                                       |                     |                     |                     |                     |                     |                    |                   |
| <b>CASH OUTFLOW</b>                   |                     |                     |                     |                     |                     |                    |                   |
| Debt Service - Interest Expense       | 487,095.71          | 477,435.57          | 467,230.52          | 456,449.83          | 445,061.02          | 433,029.80         | 420,319.92        |
| Debt Service - Principal Amortization | 171,255.21          | 180,915.35          | 191,120.39          | 201,901.09          | 213,289.89          | 225,321.12         | 238,031.00        |
| Ground Lease Payment                  | 144,000.00          | 144,000.00          | 144,000.00          | 144,000.00          | 144,000.00          | 144,000.00         | 144,000.00        |
| <b>Subtotal - Cash Outflow</b>        | <b>802,350.92</b>   | <b>802,350.92</b>   | <b>802,350.92</b>   | <b>802,350.92</b>   | <b>802,350.92</b>   | <b>802,350.92</b>  | <b>802,350.92</b> |
|                                       |                     |                     |                     |                     |                     |                    |                   |
| <b>Net Cashflow avail for DS</b>      | <b>(532,350.92)</b> | <b>(442,350.92)</b> | <b>(352,350.92)</b> | <b>(262,350.92)</b> | <b>(172,350.92)</b> | <b>(82,350.92)</b> | <b>7,649.08</b>   |