



Navigator Schools

Finance Committee

Date and Time

Friday August 14, 2020 at 9:00 AM PDT

Location

Zoom

This meeting will be held in compliance with modified Brown Act requirements as outlined in Executive Order [N-25-20](#). An archive of board meeting minutes is available for public view at the Navigator Schools, 650 San Benito Street, Suite 230, Hollister CA 95023.

Agenda

I. Opening Items

Opening Items

A. Record Attendance and Guests

B. Call the Meeting to Order

C. Approve Minutes from Prior Meeting

Approve minutes for NS Finance Committee on June 2, 2020

II. Business and Finance

A. 2019-20 Financials as of June 30, 2020

A. Ortiz will provide an update on organizational finances.

B. Line of Credit Term Sheet

A. Ortiz present a recently generated line of credit term sheet.

C. Cash Management Policy

A. Ortiz will review an organizational cash management policy.

D. Learning Continuity and Attendance Plan

A. Ortiz will provide an update on the Learning Continuity and Attendance Plan for Navigator Schools.

III. Other Business

A. Watsonville Prep School Facilities

K. Sved will provide an update on facilities for Watsonville Prep School.

B. Schedule Finance Committee Meetings for 2020-21

The Chair will lead the scheduling of all Finance Committee meetings for 2020-21.

IV. Closing Items

A. Adjourn Meeting

Coversheet

Approve Minutes from Prior Meeting

Section: I. Opening Items
Item: C. Approve Minutes from Prior Meeting
Purpose: Approve Minutes
Submitted by:
Related Material: Minutes for NS Finance Committee on June 2, 2020

APPROVED



Navigator Schools

Minutes

NS Finance Committee

Date and Time

Tuesday June 2, 2020 at 3:00 PM

Location

This meeting will be held via teleconference pursuant to Executive Orders N-25-20 and N-29-20.

This meeting will be held in compliance with modified Brown Act requirements as outlined in Executive Order [N-25-20](#). An archive of board meeting minutes is available for public view at the Navigator Schools, 650 San Benito Street, Suite 230, Hollister CA 95023.

Committee Members Present

Caitrin Wright (remote), Nora Crivello (remote), Victor Paredes-Colonia (remote)

Committee Members Absent

None

Guests Present

Ami Ortiz (remote), Kevin Sved (remote), Rosa Segura, Sean Martin (remote)

I. Opening Items

A. Record Attendance and Guests

B. Call the Meeting to Order

Victor Paredes-Colonia called a meeting of the Finance Committee of Navigator Schools to order on Tuesday Jun 2, 2020 at 3:05 PM.

C. Confirm Board Chair

The correct title for this item is "Confirm Committee Chair."

D. Approve Minutes from Prior Meeting

Caitrin Wright made a motion to approve the minutes from NS Finance Committee on 04-14-20.

Nora Crivello seconded the motion.

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

Roll Call

Caitrin Wright	Aye
Nora Crivello	Aye
Victor Paredes-Colonia	Aye

II. Closing Items

A. Adjourn Meeting

Caitrin Wright made a motion to adjourn.

Nora Crivello seconded the motion.

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

Roll Call

Nora Crivello	Aye
Victor Paredes-Colonia	Aye
Caitrin Wright	Aye

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 4:02 PM.

Respectfully Submitted,
Sean Martin

Documents used during the meeting

- 2020-21 Preliminary Budget.pdf
- Navigators 990 Tax Return 2018 (1).pdf
- 2018 990's Review Memo.pdf

Coversheet

2019-20 Financials as of June 30, 2020

Section: II. Business and Finance
Item: A. 2019-20 Financials as of June 30, 2020
Purpose: Discuss
Submitted by:
Related Material: Financials 06_30_2020.pdf



2019-20 Financial Report Narrative
 August 25, 2020 Board Meeting
 Financials through June 30, 2020

NET INCOME GAAP Basis		
	<u>Current Projection</u>	<u>BOD Approved Budget</u>
Organizational Totals	\$904k	\$327k
Gilroy Prep	\$142k	\$190k
Hollister Prep	\$213k	\$221k
Watsonville Prep	\$13k	-\$122k
CMO	\$536k	\$21k

- Organizational Total
 - Overall, Navigator Schools projects net income of \$904k after GAAP adjustments of \$310k, an increase of \$578k over projections. This is a result of conservative budgeting, effective fiscal controls, and successful fundraising efforts.
 - Revenue exceeded projections by \$317k
 - Expenditures project to be lower than budgeted by \$10k.

- Gilroy Prep School (GPS) projected net income variance highlights
 - \$49k unfavorable variance in Local Control Funding Formula (LCFF) revenue due to LCFF revenue coming in lower than what was budgeted (Budget was based on the Fiscal Crisis and Management Assistance Team’s (FCMAT) calculator as published in May 2019.)
 - \$40k unfavorable variance in other revenue due to school closure and food service sales and spirit wear sales have ceased
 - \$104k unfavorable variance in fundraising is projected due to the departure of staff responsible for site-based fundraising
 - \$89k favorable variance in Federal funding due to reimbursements from child nutrition fund coming in higher due to closure and handing out food to all students
 - \$158k unfavorable variance in Books & Supplies due to additional technology needed and food service expenses coming in higher due to closure and handing out meals to all students (this is somewhat offset by the higher Federal revenue)
 - \$93k favorable variance in services due to school closure and operations have ceased for the remainder of the year
 - \$116k favorable variance in salaries and benefits due to vacancies not being filled and stipend budget not depleted

- Hollister Prep School (HPS) projected net income variance highlights



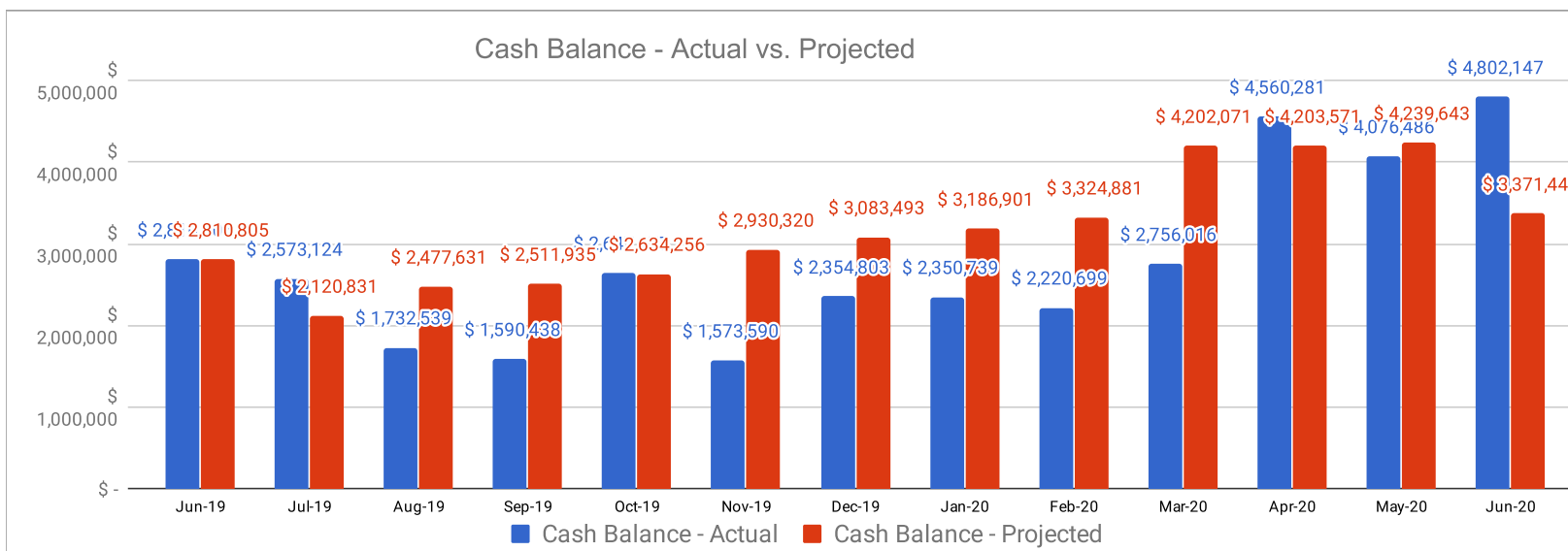
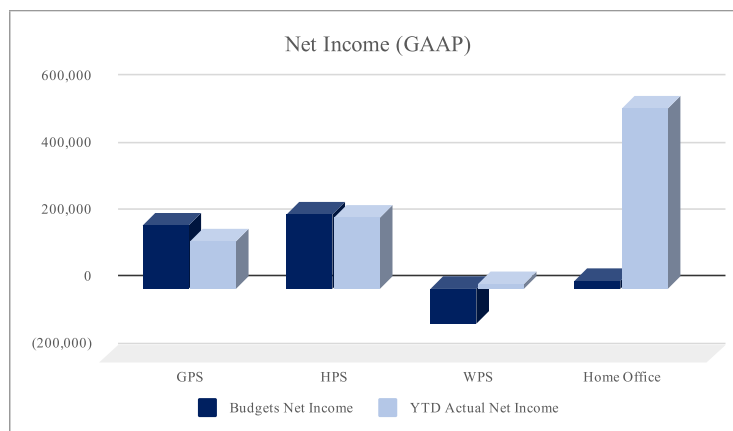
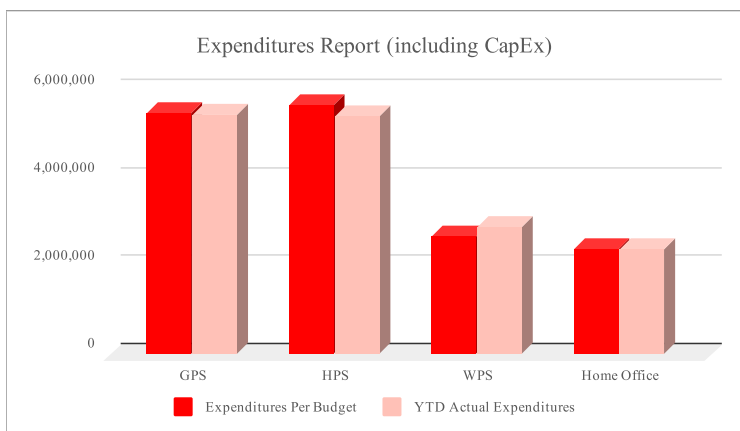
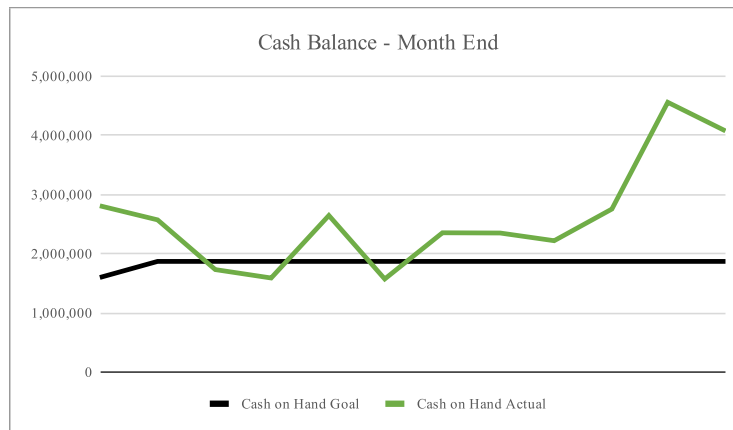
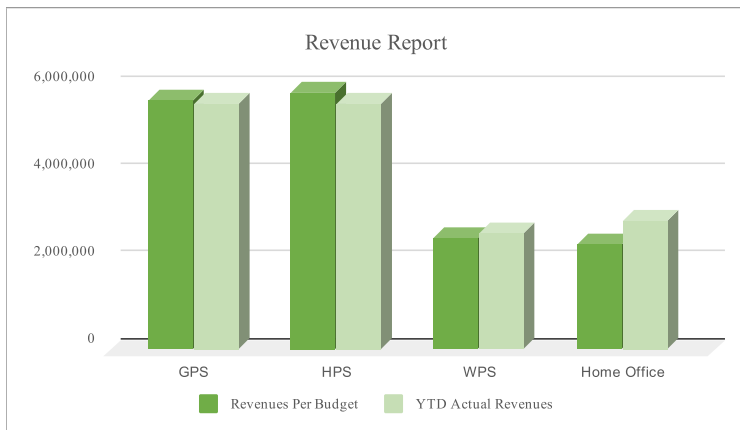
- \$55k unfavorable variance in LCFF revenue due to LCFF revenue coming in lower than what was budgeted (Budget was based on the FCMAT calculator as published in May 2019.)
 - \$92k unfavorable variance in fundraising is projected due to the departure of staff responsible for site-based fundraising
 - \$35k unfavorable variance in other revenue due to school closure and food service sales and spirit wear sales have ceased
 - \$70k favorable variance in services due to school closure and operations have ceased for the remainder of the year
 - \$114k favorable variance in books & supplies due to technology and operation supply expenses being lower than budgeted
- Watsonville Prep School (WPS) projected net income variance highlights
 - \$178k favorable variance in fundraising
 - \$49k unfavorable variance in benefits due to health & welfare benefits coming in higher than what was budgeted for
 - \$40k unfavorable variance in books and supplies due to additional non-classroom equipment and furniture needed for the site and additional instructional materials needed
 - \$267k (\$300k Board approved) has been added to capital outlay for the 407 project
- Charter Management Office (CMO) projected net income variance highlights
 - \$495k favorable variance in fundraising due to fundraising and grant revenue coming in higher than what was budgeted as staff only budgeted secured and highly probable sources
 - \$150k favorable variance in salaries and benefits due to not filling vacant position
 - \$110k unfavorable variance in services which includes additional hotspots, and internet for families and staff due to school closure and additional operations supplies needed due to closure (there will be Federal funding to help backfill these expenses), this includes \$30k for Edgility Consulting for the Compensation Study
 - \$50K unfavorable variance due to additional technology needed due to distance learning

Navigator Schools
 Consolidated Balance Sheet Comparison
 June 30, 2020

	<u>6/30/2020</u>	Actual <u>6/30/2019</u>	Actual <u>6/30/2018</u>
Cash	4,802,147	2,810,805	2,981,724
Accounts Receivable	2,032,529	1,230,222	776,899
Prepaid Expense	127,237	110,473	221,301
Fixed Assets, net of depreciation	483,305	443,235	324,446
Other Assets	4,763	0	2,915
Total Assets	7,449,981	4,594,735	4,307,284
Accrued Liabilities	846,367	739,182	845,666
Loans Payable	2,089,975	0	0
Total Liabilities	2,936,342	739,182	845,666
Beginning Fund Balance	3,855,412	3,461,617	2,937,269
Net Income	658,228	393,936	524,348
Ending Fund Balance	4,513,639	3,855,553	3,461,617
Total Liabilities & Fund Balance	7,449,981	4,594,735	4,307,284

****Loans Payable**

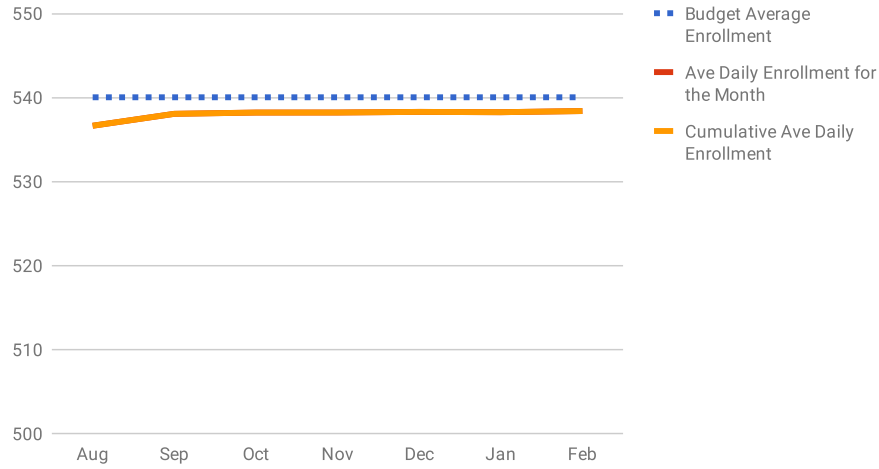
Watsonville Prep School	\$250,000	California Department of Education
Watsonville Prep School	\$74,975	Pacific Charter School Development
CMO	\$1,765,000	Payroll Protection Program



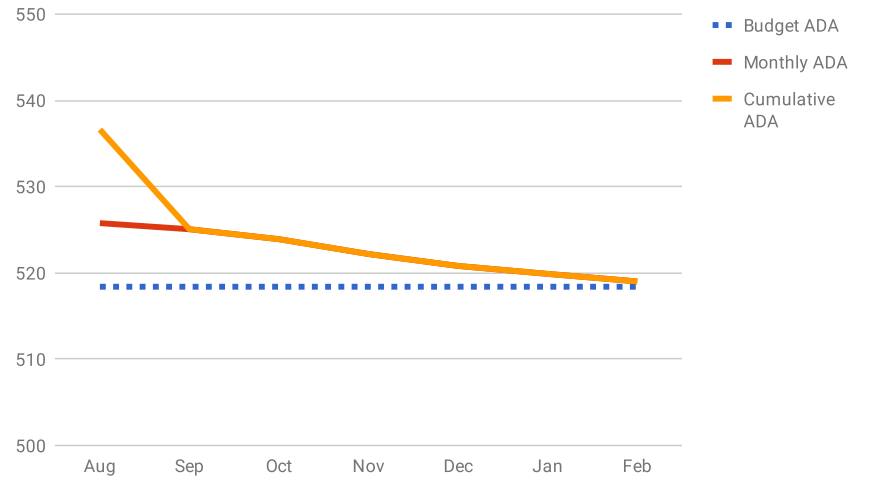
Navigator Schools - 2019-20 Budget vs. Projection

Summary Level	June 30, 2020	GPS				HPS				WPS				CMO							
		Total	TOTAL	Total	Total	GPS	GPS	GPS	GPS	HPS	HPS	HPS	HPS	WPS	WPS	WPS	WPS	CMO	CMO	CMO	CMO
		2019-20	2019-20	2019-20	Projection	2019-20	2019-20	2019-20	Projection	2019-20	2019-20	2019-20	Projection	2019-20	2019-20	2019-20	Projection	2019-20	2019-20	2019-20	Projection
		BOD Approved	YTD	Projection	Variance	BOD Approved	YTD	Projection	Variance	BOD Approved	YTD	Projection	Variance	BOD Approved	YTD	Projection	Variance	BOD Approved	YTD	Projection	Variance
		Budget	Actuals	Projection	to Budget	Budget	Actuals	Projection	to Budget	Budget	Actuals	Projection	to Budget	Budget	Actuals	Projection	to Budget	Budget	Actuals	Projection	to Budget
REVENUE:	Enrollment	1252	1248	0		540	539	0		540	541	0		172	168	0					
	LCFF Revenue	11,527,937	11,413,441	11,413,441	(114,496)	4,727,826	4,678,022	4,678,022	(49,804)	5,031,476	4,975,648	4,975,648	(55,828)	1,768,635	1,759,771	1,759,771	(8,864)	0	0	0	0
	Federal Revenue	772,692	805,570	805,569	32,877	327,356	416,689	416,689	89,333	246,894	222,976	222,976	(23,918)	198,442	165,904	165,904	(32,538)	0	0	0	0
	Other State Revenue	978,114	896,332	896,332	(81,782)	427,661	387,715	387,715	(39,946)	405,140	377,521	377,521	(27,619)	145,313	131,096	131,096	(14,217)	0	0	0	0
	Donations & Grants	1,153,170	1,627,621	1,627,620	476,820	108300	4,171	4,171	(104,129)	107,500	15,358	15,358	(92,142)	400,000	578,000	578,000	178,000	535,000	1,030,091	1,030,091	495,091
	Other Revenue	203,530	213,952	213,952	10,422	110,670	116,703	116,703	6,033	73,517	38,789	38,789	(34,728)	18,428	21,777	21,777	3,349	915	36,683	36,683	35,768
	CMO Management Fees	1,871,856	1,865,100	1,865,100	(6,756)													1,871,856	1,865,100	1,865,100	(6,756)
	REVENUE	16,504,929	16,822,015	16,822,014	317,085	5,701,813	5,603,301	5,603,300	(98,513)	5,864,527	5,630,292	5,630,292	(234,235)	2,530,818	2,656,547	2,656,548	125,730	2,407,771	2,931,874	2,931,874	524,103
EXPENDITURES:																					
	Salaries	8,811,933	8,383,450	8,383,450	(428,483)	2,993,603	2,826,736	2,826,736	(166,867)	2,934,268	2,813,580	2,813,580	(120,688)	1,237,309	1,160,783	1,160,783	(76,526)	1,646,753	1,582,351	1,582,351	(64,402)
	Benefits & Taxes	2,183,979	2,227,774	2,227,774	43,795	749,075	799,424	799,424	50,349	717,355	747,954	747,954	30,599	292,689	341,616	341,616	48,927	424,860	338,780	338,780	(86,080)
	Books & Supplies	1,210,872	1,348,834	1,348,834	137,962	335,773	494,236	494,236	158,463	400,318	285,617	285,617	(114,701)	443,185	487,242	487,242	44,057	31,596	81,739	81,739	50,143
	Services & Other Operating Expense	2,071,469	2,023,758	2,023,759	(47,710)	642,356	549,575	549,575	(92,781)	770,042	748,162	748,162	(21,880)	375,773	332,819	332,819	(42,954)	283,298	393,203	393,203	109,905
	CMO Management Fees	1,865,097	1,865,100	1,865,100	3	756,452	756,456	756,452	0	805,036	805,032	805,036	0	303,609	303,612	303,612	3				
	Capital Outlay	30,000	314,870	314,870	284,870	15,000	31,296	31,296	16,296	15,000	15,973	15,973	973	0	267,601	267,601	267,601	0	0	0	0
	EXPENDITURES	16,173,350	16,163,788	16,163,787	(9,563)	5,492,259	5,457,723	5,457,719	(34,540)	5,642,019	5,416,319	5,416,322	(225,697)	2,652,565	2,893,673	2,893,673	241,108	2,386,507	2,396,073	2,396,073	9,566
	REVENUE LESS EXPENDITURES	331,579	658,228	658,227	326,648	209,554	145,578	145,581	(63,973)	222,508	213,973	213,970	(8,538)	(121,747)	(237,126)	(237,125)	(115,378)	21,264	535,802	535,801	514,537
	GAAP Adjustments:																				
	Revenue Less Expenditures	331,579	658,228	658,227	326,648	209,554	145,578	145,581	(63,973)	222,508	213,973	213,970	(8,538)	(121,747)	(237,126)	(237,125)	(115,378)	21,264	535,802	535,801	514,537
	Add back Capita Outlay to Net Income	30,000	314,870	314,870	17,269	15,000	31,296	31,296	16,296	15,000	15,973	15,973	973	0	267,601	267,601	(0)	0	0	0	0
	Subtract Depreciation Expense	(35,000)	(69,000)	(69,000)	(34,000)	(35,000)	(35,000)	(35,000)	0	(17,000)	(17,000)	(17,000)	0	17,000	(17,000)	(17,000)	(34,000)	0	0	0	0
	Net Income - GAAP Basis 2018-19	326,579	904,098	904,096	577,517	189,554	141,874	141,877	(47,677)	220,508	212,946	212,943	(7,565)	(104,747)	13,475	13,475	118,222	21,264	535,802	535,801	514,537
	Beginning Net Assets @ 6/30/19	3,855,550	3,855,550	3,855,550		1,861,759	1,861,759	1,861,759		1,787,623	1,787,623	1,787,623		124,997	124,997	124,997		81,171	81,171	81,171	
	Net Income - GAAP Basis 2019-20	326,579	904,098	904,096		189,554	141,874	141,877		220,508	212,946	212,943		(104,747)	13,475	13,475		21,264	535,802	535,801	
	Ending Net Assets @ 6/30/20	4,182,129	4,759,648	4,759,646		2,051,313	2,003,633	2,003,636		2,008,131	2,000,569	2,000,566		20,250	138,472	138,472		102,435	616,973	616,972	

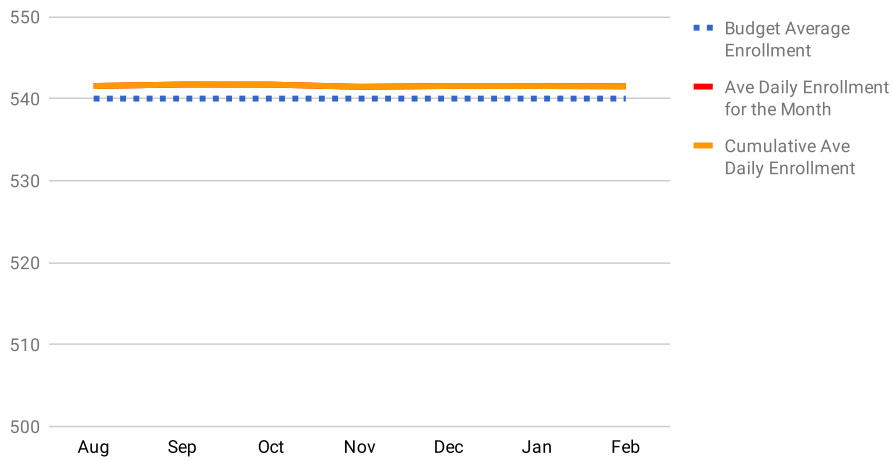
GPS Enrollment



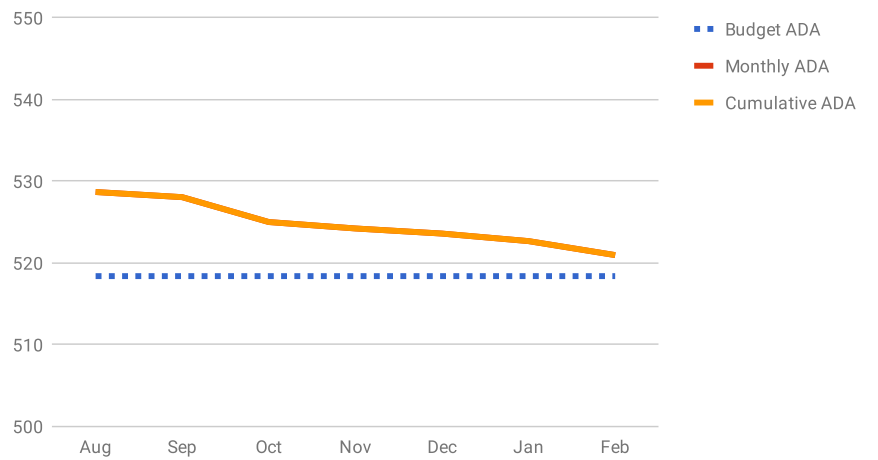
GPS ADA

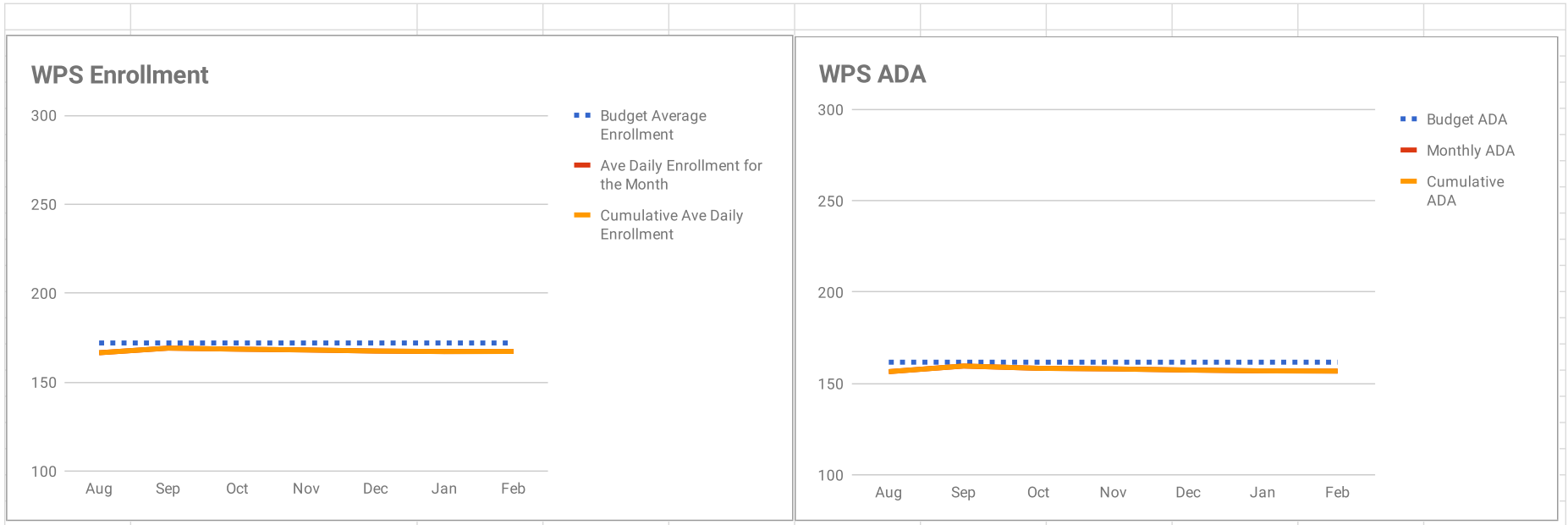


HPS Enrollment



HPS ADA





Navigator Schools - Financial Data

*Feb 29, 2020 was the P-2 ADA for the year

<u>Attendance and Enrollment Data</u>	<u>Total</u>	<u>GPS</u>	<u>HPS</u>	<u>WPS</u>
2019-20 ADA - Approved Budget	1198.5	518.4	518.4	161.68
2019-20 ADA thru 2/29/2020	1196.8	519.0	521.0	156.82
2019-20 ADA %- Approved Budget	95.7%	96.0%	96.0%	94%
2019-20 ADA % thru 2/29/2020	96.0%	96.4%	96.2%	93.8%
2019-20 Enrollment - Approved Budget	1252.0	540.0	540.0	172
2019-20 Ave Enrollment thru 2/29/2020	1247.0	538.4	541.4	167.24
Enrollment as of 2/29/2020	1248.0	539.0	541.0	168

*Budgeted ADA is at 96%



	<u>Actual</u>
Cash balance as of 06/30/2020	4,802,147
Projected Annual Expenditures (not including CMO Mgmt Fees)	14,298,687
Number of Months Cash on Hand	4.03

Coversheet

Line of Credit Term Sheet

Section:	II. Business and Finance
Item:	B. Line of Credit Term Sheet
Purpose:	Discuss
Submitted by:	
Related Material:	NS Term Sheet Draft.pdf

Vanessa Ryan

SVP/ Corporate Relationship Manager

Tel: 916.724-1214

Email: vanessaryan@umpquabank.com



Navigator Schools – ‘draft’

Umpqua Bank (“Umpqua”) would like to express its interest in underwriting and obtaining credit approval for the following loan (the “Credit Facility”) for the Navigator Schools (the “Navigator”) on the terms and conditions outlined below.

Preface: Umpqua’s expression of interest in underwriting and obtaining credit approval for the Credit Facility is for discussion purposes only and does not constitute a commitment from Umpqua. Any commitment to lend that we might make is subject to the fulfillment of a number of conditions that include, but are not limited to, our normal credit approval process, an in-depth investigation of the purpose of the purpose of the loan, the Agency, and collateral the results of which are deemed satisfactory to Umpqua in our sole discretion.

Confidentiality: Except as required by law, neither this expression of interest nor its contents will be disclosed publicly or privately except to those individuals who are your officers, employees or advisors who have a need to know as a result of being involved in the proposed financing. The foregoing confidentiality provisions shall not apply to the disclosure of the federal income tax structure or treatment of the proposed financing.

Loan Amount:	\$4,000,000 <i>(as requested)</i>
Loan Purpose:	Cash flow for operations
Structure/Security:	Intercept of LCFF funds
Term:	1-yr term, maturity estimated October 2021, with the ability to extend to another year term
Maximum Advance:	Not to exceed 50% of LCFF funds, as verified by the CDE website
Interest Rate:	Indicative taxable rate, Prime + 1.00% - 4.250%, as of 8/4/2020 Floor 4.00%
Loan Fee:	\$0.00 – waived, due to the current banking relationship with Umpqua Bank <i>(typical loan fee is 0.25% of total loan amount)</i>
Financial Covenants:	30 – consecutive days out of
Repayment Terms:	Interest only, Principle and Interest due at maturity
Relationship Discount:	The above rates include a relationship discount that assumes the ‘Navigator Schools’ will maintain its current deposit relationship with Umpqua Bank. <i>(utilizing the ICS product to insure the deposit balances)</i>
COI Fees:	Documents to be prepared/reviewed by bank counsel – Rudy Salo, Nixon Peabody LLP. Legal fees and expenses of Nixon Peabody, LLP shall not exceed \$10,000.
Reporting:	Annual Audited Financials Annual Approved Budget P1 & P2 verification of LCFF

Vanessa Ryan

SVP/ Corporate Relationship Manager

Tel: 916.724-1214

Email: vanessaryan@umpquabank.com



UMPQUA
B · A · N · K

Additional Conditions

Periodic financial and collateral reporting by the Agency, as well as representations and warranties of the Agency regarding its status and ability to repay and related matters and covenants and conditions that are appropriate for a Credit Facility of the scope and nature proposed herein will be determined as part of Umpqua Bank’s normal underwriting and approval process. The proposed facility will be subject to a default rate equal to the proposed interest rate + 3.0%.

PDFs of all executed and other documents listed on the Closing Index shall be provided to the Bank no later than 24 hours before the time of the requested wire; provided, that if any documents can only be signed after receipt of the wire those documents shall be provided immediately after receipt of the wire.

Sincerely,

Vanessa Ryan
SVP, Sr. Corporate Relationship Manager
Charter School Specialist

Please pursue underwriting and approval of a commitment for the described Credit Facility.

Borrower

By: _____

Printed Name: _____

Title: _____

Coversheet

Cash Management Policy

Section: II. Business and Finance
Item: C. Cash Management Policy
Purpose: Discuss
Submitted by:
Related Material: Cash Management Policy for Navigator Schools.pdf

Cash Management Policy for Navigator Schools

Board Responsibility

- Protect all assets of the charter school and organization
- Insure sufficient funds for organizational operations and sustainability
- Manage unrestricted surplus funds to the best advantage for organization and charter schools
- Maintain fidelity to donor cash investment restrictions
- Set policy for asset allocation

Asset Allocation Priority

1. Liquidity
2. Capital Preservation
3. Return on investment

Operating Capital Account:

Operating capital will be maintained in a demand deposit account (DDA) with a bank that provides FDIC insurance. Bank balances in excess of operating capital will be transferred to an investment account. Bank balances below operating capital ceiling balances will require a transfer in from the investment account. Balances will be monitored weekly and transfers will occur as needed.

Operating capital is defined as:

- expected disbursements in the coming seven days (i.e AP, payroll or other)
- plus/minus net of outstanding checks and deposits
- plus a cushion of 2x FDIC insurance (\$500K).

Transfers will be made by the Director of Finance and monitored by the CEO.

Investment Account:

The investment account will be established with a brokerage firm separate and not affiliated with the same organization that provides demand deposit account services, that offers SIPC and Excess insurance for invested funds. Funds transferred to the investment account will be invested based on the following list of approved investments:

- Government security backed mutual funds (SPAXX or fund with similar liquidity and investment portfolio)

Funds in this account will be invested based on forecasted liquidity needs, any philanthropic requirements, and the best interest of the organization.

- Investment in money market funds will cover two months of operating expenses
- Excess of that will be laddered out into treasury bills (4week and 13week positions).

Investments will be monitored weekly to account for any funds transferred in/out of this account. Longer term investment strategies will be analyzed and presented at a future date.

	Location	Ceiling Amount	Review
Operating Capital	Demand Deposit Account	Based on operating capital definition	Weekly
Investment Account	Brokerage Account	Funds above operating capital	As needed
Liquidity Investments	SPAXX or government backed money market fund	3 months budgeted non-school/philanthropic expenses, including payroll	Weekly

Coversheet

Schedule Finance Committee Meetings for 2020-21

Section: III. Other Business
Item: B. Schedule Finance Committee Meetings for 2020-21
Purpose: Discuss
Submitted by:
Related Material: Board and Comm Mtg Dates 2020_21.pdf



Board and Committee Meeting Schedule: 2020-21

<i>Board Meeting</i>	<i>Academic Success Committee</i>	<i>Finance Committee</i>	<i>Governance Committee</i>
August 25, 2020		August 14, 2020	August 11, 2020
October 6, 2020			September 24, 2020
December 8, 2020			November 19, 2020
February 2, 2021			January 21, 2021
April 20, 2021			April 8, 2021
June 15, 2021			June 3, 2021