

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

OPERATING:

Gilroy Prep
Hollister Prep

CLA Draft - For Discussion Only

**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.

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**

| ASSETS | <u>CMO</u> | <u>Gilroy Prep</u> | <u>Hollister Prep</u> | <u>Total</u> |
|--|-------------------|---------------------|-----------------------|---------------------|
| CURRENT ASSETS | | | | |
| 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> |
| LONG-TERM ASSETS | | | | |
| 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> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| 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> |
| NET ASSETS | | | | |
| 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 Unrestricted | Gilroy Prep Unrestricted | Gilroy Prep Temporarily Restricted | Hollister Prep Unrestricted | Hollister Prep Temporarily Restricted | Eliminations | Total |
|--------------------------------------|---------------------|-----------------------------|--|--------------------------------|---|--------------------|---------------------|
| REVENUES | | | | | | | |
| 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 | <u>1,873,899</u> | <u>5,389,832</u> | <u>(18,350)</u> | <u>4,293,807</u> | <u>52,076</u> | <u>(1,471,973)</u> | <u>10,119,291</u> |
| EXPENSES | | | | | | | |
| 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 | <u>1,732,395</u> | <u>5,322,021</u> | <u>-</u> | <u>4,012,503</u> | <u>-</u> | <u>(1,471,973)</u> | <u>9,594,946</u> |
| CHANGE IN NET ASSETS | 141,504 | 67,811 | (18,350) | 281,304 | 52,076 | - | 524,345 |
| Net Assets - Beginning of Year | <u>152,115</u> | <u>1,460,302</u> | <u>18,350</u> | <u>1,254,709</u> | <u>51,793</u> | <u>-</u> | <u>2,937,269</u> |
| NET ASSETS - END OF YEAR | <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> |
|--|--------------------------|----------------------------|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| 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 | <u>171,932</u> | <u>182,356</u> | <u>745,140</u> | <u>1,099,428</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchases of Property, Plant, and Equipment | - | (64,814) | - | (64,814) |
| Net Cash Provided (Used) by Investing Activities | <u>-</u> | <u>(64,814)</u> | <u>-</u> | <u>(64,814)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayments of Debt | - | - | (62,500) | (62,500) |
| Net Cash Provided (Used) by Financing Activities | <u>-</u> | <u>-</u> | <u>(62,500)</u> | <u>(62,500)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | | | |
| | 171,932 | 117,542 | 682,640 | 972,114 |
| Cash and Cash Equivalents - Beginning of Year | <u>171,994</u> | <u>1,181,041</u> | <u>656,574</u> | <u>2,009,609</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 343,926</u></u> | <u><u>\$ 1,298,583</u></u> | <u><u>\$ 1,339,214</u></u> | <u><u>\$ 2,981,723</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | |
| Cash Paid for Interest | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 99</u></u> | <u><u>\$ 99</u></u> |

See accompanying Notes to Financial Statements.

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

| | <u>Program Services</u> | <u>Management and General</u> | <u>Eliminations</u> | <u>Total Expenses</u> |
|------------------------------------|-----------------------------|-----------------------------------|---------------------|---------------------------|
| 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 | <u>7,567,032</u> | <u>3,499,887</u> | <u>(1,471,973)</u> | <u>9,594,946</u> |
| 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 | <u>\$ 221,237</u> | <u>\$ 103,208</u> |

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.

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 Contribution</u> | <u>Percent 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

CLA Draft - For Discussion Only

**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

| <u>Member</u> | <u>Office</u> | <u>Term Expires (2 year term)</u> |
|--------------------------|----------------------|--|
| 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 |
|------------|-------------------------|

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

| | Instructional Minutes | | Traditional 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 |

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

| | Second Period Report | | Annual Report | |
|----------------|----------------------|--------|--------------------|--------|
| | Classroom Based | Total | Classroom 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 | 518.53 | 518.53 | 518.51 | 518.51 |
| 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 | 405.69 | 405.69 | 406.57 | 406.57 |

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

| | Gilroy Prep | Hollister Prep |
|---|--------------|----------------|
| June 30, 2018 Annual Financial Report Fund Balances (Net Assets) | \$ 1,528,423 | \$ 1,639,882 |
| Adjustments and Reclassifications: | | |
| Increase (Decrease) of Fund Balance (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 | (310) | - |
| June 30, 2018 Audited Financial Statement Fund Balances (Net Assets) | \$ 1,528,113 | \$ 1,639,882 |

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**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.

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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.

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

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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 |

| <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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