

NAVIGATOR SCHOOLS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

OPERATING:

Gilroy Prep - #1278
Hollister Prep - #1507
Watsonville Prep - #2032



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AUDIT, TAX, AND
CONSULTING

**NAVIGATOR SCHOOLS
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

| | |
|--|-----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| STATEMENT OF FINANCIAL POSITION | 3 |
| STATEMENT OF ACTIVITIES | 4 |
| STATEMENT OF CASH FLOWS | 5 |
| STATEMENT OF FUNCTIONAL EXPENSES | 6 |
| NOTES TO FINANCIAL STATEMENTS | 7 |
| SUPPLEMENTARY INFORMATION | |
| LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE | 15 |
| SCHEDULE OF INSTRUCTIONAL TIME | 17 |
| SCHEDULE OF AVERAGE DAILY ATTENDANCE | 18 |
| RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS | 19 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 20 |
| NOTES TO SUPPLEMENTARY INFORMATION | 21 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 22 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDE | 24 |
| INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE | 26 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 28 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 29 |
| SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS | 30 |



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, 2020, and the related statements of activities, functional expenses, and cash flows 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 auditors' 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 Navigator'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 Navigator'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, 2020, 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 schedules of the CMO, Gilroy Prep, Hollister Prep, Watsonville Prep, and the elimination columns in the statements of financial position, activities and cash flows, and the schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The accompanying supplementary schedules as identified in the table of contents 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 March 29, 2021 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
March 29, 2021

NAVIGATOR SCHOOLS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

| ASSETS | <u>CMO</u> | <u>Gilroy Prep</u> | <u>Hollister Prep</u> | <u>Watsonville Prep</u> | <u>Total</u> |
|--|---------------------|---------------------|---------------------------|-----------------------------|---------------------|
| CURRENT ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 3,914,222 | \$ 533,077 | \$ 316,418 | \$ 50,731 | \$ 4,814,448 |
| Accounts Receivable | 336,928 | 1,468,341 | 1,815,253 | 414,792 | 4,035,314 |
| Prepaid Expenses and Other Assets | 9,063 | 31,139 | 32,701 | 53,381 | 126,284 |
| Total Current Assets | <u>4,260,213</u> | <u>2,032,557</u> | <u>2,164,372</u> | <u>518,904</u> | <u>8,976,046</u> |
| LONG-TERM ASSETS | | | | | |
| Property, Plant, and Equipment, Net | <u>-</u> | <u>246,824</u> | <u>176,613</u> | <u>282,681</u> | <u>706,118</u> |
| Total Assets | <u>\$ 4,260,213</u> | <u>\$ 2,279,381</u> | <u>\$ 2,340,985</u> | <u>\$ 801,585</u> | <u>\$ 9,682,164</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 1,514,182 | \$ 304,896 | \$ 396,075 | \$ 413,814 | \$ 2,628,967 |
| Notes Payable, Current Portion | 31,251 | - | - | 31,251 | 62,502 |
| Total Current Liabilities | <u>1,545,433</u> | <u>304,896</u> | <u>396,075</u> | <u>445,065</u> | <u>2,691,469</u> |
| LONG-TERM LIABILITIES | | | | | |
| Notes Payable | <u>1,883,749</u> | <u>-</u> | <u>-</u> | <u>143,724</u> | <u>2,027,473</u> |
| Total Liabilities | 3,429,182 | 304,896 | 396,075 | 588,789 | 4,718,942 |
| NET ASSETS | | | | | |
| Without Donor Restrictions | 768,031 | 1,974,485 | 1,944,910 | 112,796 | 4,800,222 |
| With Donor Restrictions | 63,000 | - | - | 100,000 | 163,000 |
| Total Net Assets | <u>831,031</u> | <u>1,974,485</u> | <u>1,944,910</u> | <u>212,796</u> | <u>4,963,222</u> |
| Total Liabilities and Net Assets | <u>\$ 4,260,213</u> | <u>\$ 2,279,381</u> | <u>\$ 2,340,985</u> | <u>\$ 801,585</u> | <u>\$ 9,682,164</u> |

See accompanying Notes to Financial Statements.

**NAVIGATOR SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

| | CMO | Gilroy Prep | Hollister Prep | Watsonville Prep | Eliminations | Total |
|--|-------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| WITHOUT DONOR RESTRICTIONS: | | | | | | |
| REVENUES | | | | | | |
| State Revenue: | | | | | | |
| State Apportionment | \$ - | \$ 2,032,326 | \$ 3,721,870 | \$ 1,758,708 | \$ - | \$ 7,512,904 |
| Other State Revenue | - | 416,240 | 404,382 | 128,059 | - | 948,681 |
| Federal Revenue: | | | | | | |
| Grants and Entitlements | - | 413,266 | 256,652 | 197,910 | - | 867,828 |
| Local Revenue: | | | | | | |
| In-Lieu Property Tax Revenue | - | 2,723,047 | 1,245,507 | - | - | 3,968,554 |
| Contributions | 1,117,091 | 47,013 | 15,420 | 578,262 | - | 1,757,786 |
| Other Revenue | 1,901,784 | 73,884 | 34,604 | 21,512 | (1,865,100) | 166,684 |
| Total Revenues | <u>3,018,875</u> | <u>5,705,776</u> | <u>5,678,435</u> | <u>2,684,451</u> | <u>(1,865,100)</u> | <u>15,222,437</u> |
| EXPENSES | | | | | | |
| Program Services | 348,392 | 4,541,754 | 4,425,313 | 2,158,021 | - | 11,473,480 |
| Management and General | 1,965,267 | 1,051,296 | 1,095,835 | 538,631 | (1,865,100) | 2,785,929 |
| Fundraising | 18,356 | - | - | - | - | 18,356 |
| Total Expenses | <u>2,332,015</u> | <u>5,593,050</u> | <u>5,521,148</u> | <u>2,696,652</u> | <u>(1,865,100)</u> | <u>14,277,765</u> |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 686,860 | 112,726 | 157,287 | (12,201) | - | 944,672 |
| WITH DONOR RESTRICTIONS REVENUES: | | | | | | |
| Contributions | 63,000 | - | - | 100,000 | - | 163,000 |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | <u>63,000</u> | <u>-</u> | <u>-</u> | <u>100,000</u> | <u>-</u> | <u>163,000</u> |
| CHANGE IN NET ASSETS | 749,860 | 112,726 | 157,287 | 87,799 | - | 1,107,672 |
| Net Assets - Beginning of Year | 81,171 | 1,861,759 | 1,787,623 | 124,997 | - | 3,855,550 |
| NET ASSETS - END OF YEAR | <u>\$ 831,031</u> | <u>\$ 1,974,485</u> | <u>\$ 1,944,910</u> | <u>\$ 212,796</u> | <u>\$ -</u> | <u>\$ 4,963,222</u> |

See accompanying Notes to Financial Statements.

**NAVIGATOR SCHOOLS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

| | <u>CMO</u> | <u>Gilroy Prep</u> | <u>Hollister Prep</u> | <u>Watsonville Prep</u> | <u>Total</u> |
|---|---------------------|--------------------|---------------------------|-----------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Change in Net Assets | \$ 749,860 | \$ 112,726 | \$ 157,287 | \$ 87,799 | \$ 1,107,672 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | | | | |
| Depreciation | - | 56,976 | 29,913 | 1,772 | 88,661 |
| (Increase) Decrease in Assets: | | | | | |
| Accounts Receivable | (315,712) | (1,115,561) | (959,030) | (414,792) | (2,805,095) |
| Prepaid Expenses and Other Assets | 19,661 | (15,064) | (5,481) | (14,927) | (15,811) |
| Increase (Decrease) in Liabilities: | | | | | |
| Accounts Payable and Accrued Liabilities | 1,440,388 | 99,025 | (56,236) | 406,608 | 1,889,785 |
| Net Cash Provided (Used) by Operating Activities | <u>1,894,197</u> | <u>(861,898)</u> | <u>(833,547)</u> | <u>66,460</u> | <u>265,212</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchases of Property, Plant, and Equipment | - | (51,118) | (15,973) | (284,453) | (351,544) |
| Net Cash Used by Investing Activities | <u>-</u> | <u>(51,118)</u> | <u>(15,973)</u> | <u>(284,453)</u> | <u>(351,544)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from Notes Payable | 1,915,000 | - | - | 174,975 | 2,089,975 |
| Net Cash Provided by Financing Activities | <u>1,915,000</u> | <u>-</u> | <u>-</u> | <u>174,975</u> | <u>2,089,975</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | 3,809,197 | (913,016) | (849,520) | (43,018) | 2,003,643 |
| Cash and Cash Equivalents - Beginning of Year | <u>105,025</u> | <u>1,446,093</u> | <u>1,165,938</u> | <u>93,749</u> | <u>2,810,805</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 3,914,222</u> | <u>\$ 533,077</u> | <u>\$ 316,418</u> | <u>\$ 50,731</u> | <u>\$ 4,814,448</u> |

See accompanying Notes to Financial Statements.

NAVIGATOR SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

| | Program Services | Management and General | Fundraising | Eliminations | Total Expenses |
|------------------------------------|--------------------------|---------------------------|----------------------|--------------------|--------------------------|
| Salaries and Wages | \$ 6,913,498 | \$ 1,647,438 | \$ - | \$ - | \$ 8,560,936 |
| Pension Expense | 662,886 | 103,662 | - | - | 766,548 |
| Other Employee Benefits | 978,305 | 152,544 | - | - | 1,130,849 |
| Payroll Taxes | 263,991 | 69,284 | - | - | 333,275 |
| Management Fees | 310,217 | - | - | - | 310,217 |
| Legal Expenses | - | 23,456 | - | - | 23,456 |
| Accounting Expenses | - | 24,953 | - | - | 24,953 |
| Instructional Materials | 347,523 | 36,723 | - | - | 384,246 |
| Other Fees for Services | 331,928 | 2,012,158 | 18,356 | (1,865,100) | 497,342 |
| Advertising and Promotion Expenses | 3,821 | - | - | - | 3,821 |
| Office Expenses | 118,166 | 174,313 | - | - | 292,479 |
| Printing and Postage Expenses | - | - | - | - | - |
| Information Technology Expenses | 589,200 | 67,639 | - | - | 656,839 |
| Occupancy Expenses | 114,221 | 110,562 | - | - | 224,783 |
| Travel Expenses | 19,455 | 75,945 | - | - | 95,400 |
| Depreciation Expense | 88,661 | - | - | - | 88,661 |
| Insurance Expense | - | 42,340 | - | - | 42,340 |
| Other Expenses | 731,608 | 110,012 | - | - | 841,620 |
| Subtotal | <u>11,473,480</u> | <u>4,651,029</u> | <u>18,356</u> | <u>(1,865,100)</u> | <u>14,277,765</u> |
| Eliminations | <u>-</u> | <u>(1,865,100)</u> | <u>-</u> | <u>1,865,100</u> | <u>-</u> |
| Total Functional Expenses | <u>\$ 11,473,480</u> | <u>\$ 2,785,929</u> | <u>\$ 18,356</u> | <u>\$ -</u> | <u>\$ 14,277,765</u> |

See accompanying Notes to Financial Statements.

**NAVIGATOR SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

Basis of Accounting

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

Basis of Presentation

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

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.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, pension expenses, and payroll taxes which are allocated on the basis of estimates of time and effort.

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.

**NAVIGATOR SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2020. 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 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.

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by Navigator based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

Property Tax Revenue

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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. 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 (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. As of June 30, 2020, Navigator did not have any unearned revenue related to conditional grants. As of June 30, 2020, Navigator has conditional grants of \$1,200,000 that have not been recognized as revenue in the statement of activities because conditions have not been met

Other Revenue

Other revenue consists primarily of food service, spirit wear sales and field trip income. The performance obligation for providing food services, spirit wear sales and field trip income are simultaneously received and consumed by the students; therefore, the revenue is recognized at the point in time when the sale occurs.

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 is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. Navigator files an exempt school return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenues from Contracts with Customers (Topic 606). The update establishes the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. Navigator has early adopted the implementation of ASU 2014-09 under the full retrospective approach. There was no material impact on Navigator's financial position and results of operations upon adoption of the new standard.

NAVIGATOR SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. Navigator has implemented ASU 2018-08 under the modified prospective approach. There was no material impact on Navigator’s financial position and results of operations upon adoption of the new standard.

Evaluation of Subsequent Events

Navigator has evaluated subsequent events through March 29, 2021, the date these financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and accounts receivable for the total amount of \$8,749,762.

As part of its liquidity management plan, Navigator monitors liquidity required and cash flows to meet operating needs on a monthly basis. Navigator structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3 CONCENTRATION OF CREDIT RISK

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

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense was \$88,661 for the year ended June 30, 2020.

**NAVIGATOR SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

The components of property, plant, and equipment as of June 30, 2020 are as follows:

| | Gilroy Prep | Hollister Prep | Watsonville Prep | Total |
|--------------------------------------|-------------------|-------------------|---------------------|-------------------|
| Land Improvements | \$ 186,348 | \$ 17,744 | \$ - | \$ 204,092 |
| Equipment, Furniture and Fixtures | 358,558 | 247,136 | 28,972 | 634,666 |
| Construction in Progress | - | - | 255,481 | 255,481 |
| Total | <u>544,906</u> | <u>264,880</u> | <u>284,453</u> | <u>1,094,239</u> |
| Less: Accumulated Depreciation | (298,082) | (88,267) | (1,772) | (388,121) |
| Total Property, Plant, and Equipment | <u>\$ 246,824</u> | <u>\$ 176,613</u> | <u>\$ 282,681</u> | <u>\$ 706,118</u> |

NOTE 5 DEBT

On August 29, 2019, Navigator entered into a Charter School Revolving Loan with the California School Finance Authority, in the amount of \$250,000. The loan bears an interest rate of 2.044% and matures in April 2023. The first repayment is due in August 2020. The balance as of June 30, 2020 was \$250,000.

On January 13, 2020, Navigator entered into a promissory note with the a nonprofit organization for up to the amount of \$250,000. The loan bears an interest rate of 1.500% and matures in December 2024. The balance as of June 30, 2020 was \$74,975.

On April 23, 2020, Navigator received a loan from Mechanics Bank in the amount of \$1,765,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if Navigator fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, Navigator will be required to pay interest on the PPP Loan at a rate of 1.000% per annum, and commencing in August 2021 principal and interest payments will be required through the maturity date in April 2022. The balance as of June 30, 2020 was \$1,765,000.

**NAVIGATOR SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEBT (CONTINUED)

Future maturities under notes payable are as follows:

| <u>Year Ended June 30,</u> | <u>CDE Loan</u> | <u>Promissory Note</u> | <u>PPP Loan</u> | <u>Total</u> |
|----------------------------|-------------------|----------------------------|---------------------|---------------------|
| 2021 | \$ 62,502 | \$ - | \$ - | \$ 62,502 |
| 2022 | 62,502 | - | 1,765,000 | 1,827,502 |
| 2023 | 62,502 | - | - | 62,502 |
| 2024 | 62,494 | - | - | 62,494 |
| 2025 | - | - | - | - |
| Thereafter | - | 74,975 | - | 74,975 |
| | <u>\$ 250,000</u> | <u>\$ 74,975</u> | <u>\$ 1,765,000</u> | <u>\$ 2,089,975</u> |

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020, net assets with donor restrictions of \$163,000 are restricted for the Watson School Program. There were no net assets released from restrictions during the year ended June 30, 2020.

NOTE 7 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, 2020 were \$143,343.

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, 2020 were \$149,269.

NOTE 8 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plans

Qualified employees are covered under a multiemployer defined benefit pension plan maintained by agencies of the state of California.

The risks of participating in this multiemployer defined benefit pension plan is different from single employer plans because: (a) assets contributed to the multiemployer 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 multiemployer plan, it may be required to pay a withdrawal liability to the plan. Navigator has no plans to withdraw from this multiemployer plan.

**NAVIGATOR SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS)

Plan Description

Navigator Schools contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer 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, 2019 total STRS plan net assets are \$273 billion, the total actuarial present value of accumulated plan benefits is \$392 billion, contributions from all employers totaled \$5.6 billion, and the plan is 66% funded. 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. 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 2021-22. The required employer contribution rate for year ended June 30, 2020 was 17.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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

| <u>Year Ended June 30,</u> | <u>Required Contribution</u> | <u>Percent Contributed</u> |
|----------------------------|----------------------------------|--------------------------------|
| 2018 | \$ 485,167 | 100% |
| 2019 | \$ 670,287 | 100% |
| 2020 | \$ 886,472 | 100% |

NOTE 9 CHARTER MANAGEMENT ORGANIZATION

Navigator charges CMO fees of \$1,865,100 to each charter for management services performed during the year. Navigator (Gilroy Prep) paid CMO fees of \$756,456 for the year ended June 30, 2020. Navigator (Hollister Prep) paid CMO fees of \$805,032 for the year ended June 30, 2020. Navigator (Watsonville Prep) paid CMO fees of \$303,612 for the year ended June 30, 2020. These fees were eliminated in the financial statements.

**NAVIGATOR SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 CONTINGENCIES, RISKS AND UNCERTAINTIES

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.

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to Navigator, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes Navigator is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 11 SUBSEQUENT EVENTS

As of July 1, 2020, Navigator will lease facilities of \$100,000 per year with an increase every year in conjunction to enrollment increases.

In January 2021, the promissory note with the nonprofit organization was converted into a loan for \$1,400,000 for the Watsonville Prep construction. The loan bears an interest rate of 1.000%. The balloon payment for the loan is due and payable in December 2027.

In January 2021, Navigator created 407 Main Street, LLC (the LLC), of which Navigator is the single member. The LLC entered into three loans with financial institutions in the total amount of \$7,075,093. The loans bear an interest rate between 5% to 6% and matures at the latest date of January 2051.

SUPPLEMENTARY INFORMATION

NAVIGATOR SCHOOLS
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Navigator Schools (Navigator) operates Gilroy Prep School, Hollister Prep School and Watsonville 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.

Navigator began serving students at Watsonville Prep in August 2019 and the charter school is sponsored by State Board of Education - Watsonville Prep.

Gilroy Prep charter school number authorized by the state: 1278

Hollister Prep charter school number authorized by the state: 1507

Watsonville Prep charter school number authorized by the state: 2032

**NAVIGATOR SCHOOLS
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (CONTINUED)
 YEAR ENDED JUNE 30, 2020
 (SEE INDEPENDENT AUDITORS' REPORT)**

The board of directors and the administrators as of the year ended June 30, 2020 were as follows:

BOARD OF DIRECTORS

| <u>Member</u> | <u>Office</u> | <u>Term Expires (2 Year Term)</u> |
|--------------------------|----------------------|--|
| Caitrin Wright | Chair | March 1, 2021 |
| 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 |
| Victor Paredes-Colonia | Member | February 26, 2021 |

ADMINISTRATORS

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

**NAVIGATOR SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

| | Instructional Minutes | | Credited Minutes COVID-19 School Closure Certification | Total Actual Plus Credited Minutes | Traditional Calendar Days | Credited Days COVID-19 School Closure Certification | Total Actual Plus Credited Days | Status |
|--------------------------|-----------------------|--------|--|--|---------------------------------|---|---------------------------------------|---------------|
| | Requirement | Actual | | | | | | |
| Gilroy Prep: | | | | | | | | |
| Kindergarten | 36,000 | 42,615 | 20,025 | 62,640 | 123 | 57 | 180 | In Compliance |
| Grade 1 | 50,400 | 39,065 | 18,280 | 57,345 | 123 | 57 | 180 | In Compliance |
| Grade 2 | 50,400 | 39,065 | 18,280 | 57,345 | 123 | 57 | 180 | In Compliance |
| Grade 3 | 50,400 | 40,310 | 18,880 | 59,190 | 123 | 57 | 180 | In Compliance |
| Grade 4 | 54,000 | 40,310 | 18,880 | 59,190 | 123 | 57 | 180 | In Compliance |
| Grade 5 | 54,000 | 40,310 | 18,880 | 59,190 | 123 | 57 | 180 | In Compliance |
| Grade 6 | 54,000 | 41,110 | 19,220 | 60,330 | 123 | 57 | 180 | In Compliance |
| Grade 7 | 54,000 | 41,110 | 19,220 | 60,330 | 123 | 57 | 180 | In Compliance |
| Grade 8 | 54,000 | 41,110 | 19,220 | 60,330 | 123 | 57 | 180 | In Compliance |
| Hollister Prep: | | | | | | | | |
| Kindergarten | 36,000 | 39,635 | 18,475 | 58,110 | 123 | 57 | 180 | In Compliance |
| Grade 1 | 50,400 | 40,495 | 18,935 | 59,430 | 123 | 57 | 180 | In Compliance |
| Grade 2 | 50,400 | 40,495 | 18,935 | 59,430 | 123 | 57 | 180 | In Compliance |
| Grade 3 | 50,400 | 42,155 | 19,735 | 61,890 | 123 | 57 | 180 | In Compliance |
| Grade 4 | 54,000 | 42,155 | 19,735 | 61,890 | 123 | 57 | 180 | In Compliance |
| Grade 5 | 54,000 | 42,155 | 19,735 | 61,890 | 123 | 57 | 180 | In Compliance |
| Grade 6 | 54,000 | 41,570 | 19,510 | 61,080 | 123 | 57 | 180 | In Compliance |
| Grade 7 | 54,000 | 41,570 | 19,510 | 61,080 | 123 | 57 | 180 | In Compliance |
| Grade 8 | 54,000 | 41,570 | 19,510 | 61,080 | 123 | 57 | 180 | In Compliance |
| Watsonville Prep: | | | | | | | | |
| Kindergarten | 36,000 | 37,970 | 17,485 | 55,455 | 124 | 56 | 180 | In Compliance |
| Grade 1 | 50,400 | 42,670 | 19,925 | 62,595 | 124 | 56 | 180 | In Compliance |
| Grade 2 | 50,400 | 42,670 | 19,925 | 62,595 | 124 | 56 | 180 | In Compliance |

See accompanying Notes to Supplementary Information

**NAVIGATOR SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

| | Second Period Report | | Annual Report | |
|--------------------------|----------------------|---------------|--------------------|---------------|
| | Classroom Based | Total | Classroom Based | Total |
| <u>Gilroy Prep:</u> | | | | |
| TK/K-3 | 230.74 | 230.74 | 230.74 | 230.74 |
| Grades 4-6 | 173.55 | 173.55 | 173.55 | 173.55 |
| Grades 7-8 | 115.20 | 115.20 | 115.20 | 115.20 |
| ADA Totals | <u>519.49</u> | <u>519.49</u> | <u>519.49</u> | <u>519.49</u> |
| <u>Hollister Prep:</u> | | | | |
| TK/K-3 | 232.03 | 232.03 | 232.03 | 232.03 |
| Grades 4-6 | 173.09 | 173.09 | 173.09 | 173.09 |
| Grades 7-8 | 115.86 | 115.86 | 115.86 | 115.86 |
| ADA Totals | <u>520.98</u> | <u>520.98</u> | <u>520.98</u> | <u>520.98</u> |
| <u>Watsonville Prep:</u> | | | | |
| TK/K-2 | 157.14 | 157.14 | 157.15 | 157.15 |
| ADA Totals | <u>157.14</u> | <u>157.14</u> | <u>157.15</u> | <u>157.15</u> |

See accompanying Notes to Supplementary Information

**NAVIGATOR SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

| | <u>Gilroy Prep</u> | <u>Hollister Prep</u> | <u>Watsonville Prep</u> |
|--|---------------------|-----------------------|-------------------------|
| June 30, 2020 Annual Financial Report Fund Balances (Net Assets) | \$ 1,875,287 | \$ 1,957,165 | \$ 68,423 |
| Adjustments and Reclassifications: | | | |
| Increase (Decrease) of Fund Balance (Net Assets): | | | |
| Cash and Cash Equivalents | (1,278,657) | (674,340) | (93,749) |
| Accounts Receivable | 1,112,973 | 486,047 | 162,330 |
| Prepaid Expenses and Other Assets | 1,848 | - | - |
| Property, Plant, and Equipment, Net | 246,824 | 176,613 | 19,473 |
| Accounts Payable and Accrued Liabilities | 16,210 | (575) | 56,319 |
| Net Adjustments and Reclassifications | <u>99,198</u> | <u>(12,255)</u> | <u>144,373</u> |
| June 30, 2020 Audited Financial Statement Fund Balances (Net Assets) | <u>\$ 1,974,485</u> | <u>\$ 1,944,910</u> | <u>\$ 212,796</u> |

See accompanying Notes to Supplementary Information

NAVIGATOR SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

| Federal Grantor / Pass-Through Grantor Program or Cluster Title | Federal CFDA Number | Pass- Through Entity Identifying Number | Gilroy Prep | Hollister Prep | Watsonville Prep | Total |
|--|---------------------------|---|-------------------|-------------------|---------------------|-------------------|
| U.S. Department of Education | | | | | | |
| Pass-Through Program from | | | | | | |
| California Department of Education: | | | | | | |
| Every Child Succeeds Act, Part A | | | | | | |
| Title I, Basic Grants: | | | | | | |
| Low-Income and Neglected | 84.010 | 14329 | 95,055 | \$ 98,005 | \$ 55,757 | \$ 248,817 |
| Title II, Improving Teacher Quality | 84.367 | 14341 | 15,791 | 14,766 | 6,876 | 37,433 |
| Title III, Limited English Proficiency | 84.365 | 14346 | 19,284 | 22,406 | 12,181 | 53,871 |
| Title IV, Student Support and Academic | | | | | | |
| Enrichment | 84.424 | 15391 | 7,500 | 7,500 | - | 15,000 |
| Title V, Part B PCSGP | 84.282A | N/A | - | 50,094 | 6,852 | 56,946 |
| Special Education Cluster - | | | | | | |
| IDEA Basic Local Assistance | 84.027 | 13379 | 71,068 | 63,881 | - | 134,949 |
| <i>Total U.S. Department of Education</i> | | | <u>208,698</u> | <u>256,652</u> | <u>81,666</u> | <u>547,016</u> |
| U.S. Department of Agriculture | | | | | | |
| Pass-Through Program from | | | | | | |
| California Department of Education: | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| School Breakfast Program Especially | | | | | | |
| Needy Breakfast | 10.553 | N/A | 55,717 | - | 31,574 | 87,291 |
| National School Lunch Program | 10.555 | N/A | 148,851 | - | 84,670 | 233,521 |
| Child Nutrition Cluster Subtotal | | | <u>204,568</u> | <u>-</u> | <u>116,244</u> | <u>320,812</u> |
| <i>Total U.S. Department of Agriculture</i> | | | <u>204,568</u> | <u>-</u> | <u>116,244</u> | <u>320,812</u> |
| Total Federal Expenditures | | | <u>\$ 413,266</u> | <u>\$ 256,652</u> | <u>\$ 197,910</u> | <u>\$ 867,828</u> |

N/A - Pass-through entity number not readily available or not applicable.

**NAVIGATOR SCHOOLS
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

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 financial statements.

NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Navigator under programs of the federal governmental for the year ended June 30, 2020. The information in the Schedule is presented on the accrual basis of accounting in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of Navigator, it is not intended to and does not present the financial position, change in net assets, or cash flows of Navigator.

NOTE 5 INDIRECT COST RATE

Navigator has elected to use a rate other than the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**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, 2020, 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 March 29, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

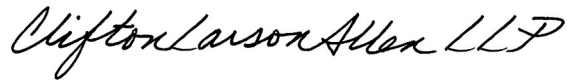
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Navigator’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 Navigator’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
March 29, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDE**

Board of Directors
Navigator Schools
Gilroy, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Navigator Schools (Navigator) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. Navigator's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Navigator's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Navigator's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Navigator's compliance.

Opinion on Each Major Federal Program

In our opinion, Navigator complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Navigator is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Navigator’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Navigator’s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
March 29, 2021



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 *2019-2020 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, 2020. 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 *2019-2020 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: | |
| California Clean Energy Jobs Act | Not Applicable |
| Before/After School Education and Safety Program | Not Applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |

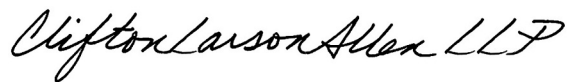
| <u>Description</u> | <u>Procedures Performed</u> |
|---|-----------------------------|
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | Not Applicable |
| Charter Schools: | |
| Attendance | Yes |
| 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, 2020.

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 *2019-2020 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
March 29, 2021

**NAVIGATOR SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

84.010
10.553, 10.555

Name of Federal Program or Cluster

Title I, Low-Income and Neglected
Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**NAVIGATOR SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

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 |
| 43000 | Apprenticeship: Related and Supplemental Instruction |
| 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 |

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

State Compliance Finding

There were no findings or questioned costs related to state awards for June 30, 2020.

**NAVIGATOR SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

STATE AWARDS (RELATED TO THE HOLLISTER PREP LOCATION ONLY):

2019 – 001 Unduplicated Local Control Funding Formula Pupil Counts 40000

Criteria: Education code section 42238.02 (b)(2) requires a charter school to submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS). The CalPADS 1.17 and 1.18 reports should accurately report the number of students eligible for free and reduced price meals and those identified as “English Learners.”

Condition: During testing of Hollister Prep we compared students’ family income per Free and Reduced Price Meal (FRPM) eligibility applications to the Income Eligibility Scales for 2018-19, and found that Navigator inaccurately reported students as eligible for free or reduced price meals.

Cause: Navigator was either unable to provide meal applications, or meal applications were marked as denied and erroneously entered into Navigator’s system and submitted to CalPADS.

Status: Implemented and remediated during the year ended June 30, 2020.

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