



## Navigator Schools

### Audit Committee Meeting

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#### Date and Time

Monday July 14, 2025 at 11:00 AM PDT

#### Location

Join Zoom Meeting

<https://navigatorschools.zoom.us/j/93206231898?pwd=XlgA9FW7teceQGI5Olb0oa3INMBNwZ.1>

Meeting ID: 932 0623 1898

Passcode: 962012

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Topic: Audit Committee Meeting

Time: Jul 14, 2025 11:00 AM Pacific Time (US and Canada)

Join Zoom Meeting

<https://navigatorschools.zoom.us/j/93206231898?pwd=XlgA9FW7teceQGI5Olb0oa3INMBNwZ.1>

Meeting ID: 932 0623 1898

Passcode: 962012

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One tap mobile

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+13052241968,,93206231898#,,,,\*962012# US

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- +1 646 876 9923 US (New York)
- +1 253 215 8782 US (Tacoma)
- +1 346 248 7799 US (Houston)
- +1 669 900 6833 US (San Jose)

Meeting ID: 932 0623 1898

Passcode: 962012

Find your local number: <https://navigatorschools.zoom.us/j/ahz1XsY3l>

## Agenda

	Purpose	Presenter	Time
<b>I. Opening Items</b>			<b>11:00 AM</b>
<b>A.</b> Call the Meeting to Order		Jan Mazyck	1 m
Jan Mazyck, Committee Chair, will call the meeting to order.			
<b>B.</b> Record Attendance & Guests	Vote	Jan Mazyck	1 m
Jan Mazyck, Committee Chair, will identify guests and hold a roll-call vote to take attendance.			
<b>C.</b> Approve Minutes from Prior Meeting	Approve Minutes	Jan Mazyck	1 m
Committee members will participate in a roll-call vote on the approval of prior minutes.			
Approve minutes for Audit Committee Meeting on March 25, 2025			
<b>D.</b> Committee Chair Update		Jan Mazyck	3 m
The Committee Chair will share updates with the Committee.			
<b>E.</b> Public Comments		Jan Mazyck	3 m
The committee chair will review requests for public comments (if any).			
<b>II. Audit Committee</b>			<b>11:09 AM</b>

	Purpose	Presenter	Time
<p><b>A. Audit Firm Rotation Policy</b></p> <p>The Committee will review and recommend to the Board the Audit Firm Rotation Policy.</p>	Vote	Noël Russell-Unterburger	5 m
<p><b>B. Audit Committee Charter</b></p> <p>The Audit Committee will vote to recommend to the Board the approval of the Proposed Audit Committee Charter for Navigator Schools.</p>	Vote	Jan Mazyck	5 m
<p><b>C. Green, Hasson, Janks (GHJ) Entrance Discussion for 2024-25 Audit</b></p> <p>Green, Hasson, Janks (GHJ) will discuss the audit plan and schedule for the 2024-25 audit period.</p>	Discuss	Noël Russell-Unterburger	30 m
<p><b>D. State Controller Rejection Letter of Navigator Schools Audit report for Fiscal Year 2022-23</b></p> <p>Noël Russell-Unterburger, Chief Finance and Operations Officer, will discuss the state controller's review of Navigator's annual audit report and will provide the resolution.</p>	FYI	Noël Russell-Unterburger	5 m
<p><b>E. Update on AB84 and SB414 regarding future charter school audit requirements</b></p> <p>The Committee will receive information regarding pending legislation.</p>	FYI	Noël Russell-Unterburger	5 m
<p><b>III. Closing Items</b></p>			<b>11:59 AM</b>
<p><b>A. Adjourn Meeting</b></p> <p>The Committee will hold a roll call vote on the adjournment of the meeting.</p> <p>Proposed Motion: Adjourn</p>	Vote	Jan Mazyck	1 m

# Coversheet

## Approve Minutes from Prior Meeting

**Section:** I. Opening Items  
**Item:** C. Approve Minutes from Prior Meeting  
**Purpose:** Approve Minutes  
**Submitted by:**  
**Related Material:** Minutes for Audit Committee Meeting on March 25, 2025

APPROVED



## Navigator Schools

# Minutes

## Audit Committee Meeting

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### Date and Time

Tuesday March 25, 2025 at 4:30 PM

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Topic: Audit Committee Committee Meeting

Time: Mar 25, 2025 04:30 PM Pacific Time (US and Canada)

Join Zoom Meeting

<https://navigatorschools.zoom.us/j/98257677258?pwd=wDB9GrBia2z948KjbT24hys2g7eFfT.1>

Meeting ID: 982 5767 7258

Passcode: 224115

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- +1 646 876 9923 US (New York)
- +1 669 900 6833 US (San Jose)
- +1 253 215 8782 US (Tacoma)
- +1 346 248 7799 US (Houston)

Meeting ID: 982 5767 7258

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Passcode: 224115

Find your local number: <https://navigatorschools.zoom.us/j/9876543210>

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### Committee Members Present

JP Anderson (remote), Jan Mazyck (remote), Niña Rosete (remote)

### Committee Members Absent

*None*

### Guests Present

Ami Ortiz (remote), Caprice Young (remote), Lili Huang (remote), Noël Russell-Unterburger (remote), Shun Dorsey (remote), Tom Peraic (remote)

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## I. Opening Items

### A. Call the Meeting to Order

Jan Mazyck called a meeting of the Audit Committee Committee of Navigator Schools to order on Tuesday Mar 25, 2025 at 4:37 PM.

### B. Record Attendance & Guests

### C. Approve Minutes from Prior Meeting

Jan Mazyck made a motion to approve the minutes from Audit Committee Meeting on 03-14-24.

JP Anderson seconded the motion.

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

### D. Committee Chair Update

The Committee Chair made brief introductory comments.

### E. Public Comments

There were no public comments.

## II. Audit Committee

### A. 2023-24 Audited Financials

Jan Mazyck made a motion to accept the draft audit presented by CLA.

Niña Rosete seconded the motion.

Lili Huang from CLA presented the draft audit, engaged in a discussion concerning the draft audit with the Committee, and answered questions posed by the Committee to its satisfaction.

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

#### **B. Engagement of 2024-25 Auditor**

JP Anderson made a motion to adopt the staff recommendation to retain Green, Hasson & Janks (Firm B) as Navigator's auditor for the 2024-25.

Niña Rosete seconded the motion.

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

#### **C. LCFF Demographic and Enrollment Audit**

JP Anderson made a motion to engage in a multi-year audit of Navigator's enrollment and demographics.

Jan Mazyck seconded the motion.

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

### **III. Closing Items**

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

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 6:00 PM.

Respectfully Submitted,  
Tom Peraic

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#### **Documents used during the meeting**

- Navigator FS Draft 2024 v3 3.24.25.pdf

# Coversheet

## Committee Chair Update

**Section:** I. Opening Items  
**Item:** D. Committee Chair Update  
**Purpose:** FYI  
**Submitted by:**  
**Related Material:** Finance Committee Resignation.pdf



## JAN MAZYCK

26 June 2025

Sacramento, CA 95831

Navigator Board of Directors  
650 San Bonito Street, Suite 230  
Hollister, CA 95023

Dear Colleagues,

I value our partnership on the Navigator Board and our continued collegiality. Kindly accept this notice of my resignation from the Finance Committee, made on the advice of counsel.

My role as Chair of the Audit Committee and Finance Committee member potentially creates a conflict of interest and could undermine the required independence for effective oversight. The audit committee is responsible for independently overseeing Navigator's financial reporting and auditor performance while the finance committee engages in managing and overseeing financial operations and decisions. Although I don't serve as Chair of the Finance Committee, governance standards discourage this association for the Audit Committee Chair who must maintain a high degree of independence to objectively oversee financial reporting and audits.

In addition, my presence on both the Audit and Finance committees would result in a majority overlap with Audit Committee members (which is now two (2) out of three (3)) members on the Finance Committee, potentially jeopardizing objective financial reporting, internal controls, and risk management.

My resignation from the Finance Committee is effective immediately.

Sincerely,



Jan Mazyck

# Coversheet

## Audit Firm Rotation Policy

**Section:** II. Audit Committee  
**Item:** A. Audit Firm Rotation Policy  
**Purpose:** Vote  
**Submitted by:**  
**Related Material:** II A. Summary of Audit Firm Selection Policy 3.25.25.pdf  
II A. NS Audit Firm Rotation Policy - DRAFT March 2025.pdf

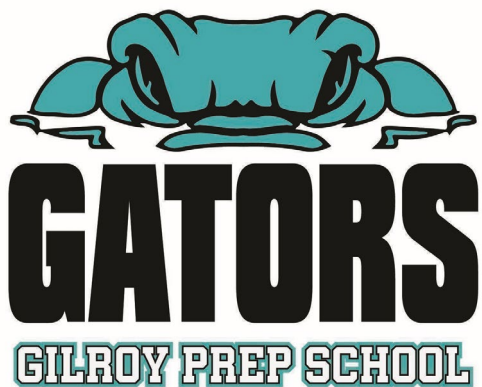


# Navigator Schools Audit Firm Rotation Policy Summary

Audit Committee March 25, 2025



# Navigator Schools



2011-12  
Renewal  
2025-26

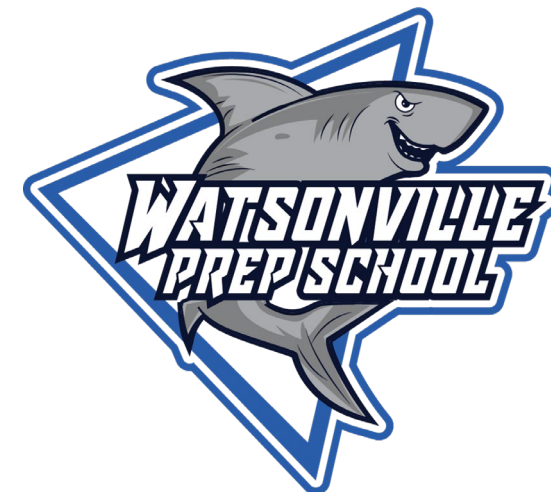
Hayward  
Collegiate



2019/2022  
Renewal  
2026-27



2013-14  
Renewal  
2025-26



2019-20  
Renewal  
2026-27





CULTURE  
OF EXCELLENCE

DATA DRIVEN  
INSTRUCTION

COACHING  
CONTINUOUS IMPROVEMENT

EQUITY  
MULTI-TIERED SUPPORTS

TECHNOLOGY  
FOR TOMORROW



*Navigator Schools equips students to become learners and leaders in high school, college, and beyond. We develop top-tier teams of educators who continuously improve and innovate schools that deliver phenomenal outcomes for all students, regardless of their circumstances.*



# EXECUTIVE SUMMARY

The Navigator Schools Audit Firm Rotation Policy aligns with auditor rotation requirements outlined in California Education Code Section 41020(f)(2) and Government Code Section 12410.6(b), as established by Assembly Bill 1345. These regulations mandate periodic rotation of public accounting firms providing audit services to local agencies, limiting consecutive audit engagements to six fiscal years, with provisions allowing waivers under exceptional circumstances.

This policy safeguards auditor independence, enhances financial reporting integrity, and promotes accountability. It clearly defines the roles of the Audit Committee and Chief Financial Operating Officer (CFOO) in overseeing audit engagements, managing transitions between audit firms, and ensuring a comprehensive selection process. Additionally, the policy includes guidance for obtaining waivers from the Education Audit Appeals Panel (EAAP) when extraordinary conditions arise. Ultimately, periodic rotation fosters fresh perspectives, reinforcing Navigator Schools' commitment to strong financial governance, transparency, and compliance with state regulations.



# Audit Firm Rotation Policy Discussion

- Review the importance of the Audit Firm Rotation Policy
- Understand roles and responsibilities
- Ensure compliance with California Education Code Section 41020(f)(2)
- Strengthen financial oversight and governance

# Overview and Purpose

## Policy Scope:

- Applies to the governing body, management, and designees involved in external audit selection and oversight.

## Compliance:

- Meets California Education Code Section 41020(f)(2) and Government Code Section 12410.6(b) (Assembly Bill 1345).

## Purpose:

- Maintains auditor independence and objectivity
- Enhances integrity and reliability of financial reporting
- Introduces fresh insights by rotating auditors
- Strengthens internal controls and accountability
- Promotes compliance with state regulations and best practices



# Audit Rotation Requirements

## Audit Firm Engagement Limit:

- Maximum of six consecutive fiscal years.

## Mandatory Break:

- Minimum two-year break before re-engaging a previously contracted audit firm.

## Exceptions:

- The Education Audit Appeals Panel (EAAP) offers a one-year waiver under exceptional circumstances.

## Lead Audit Partner Rotation:

- If a waiver extends the firm's engagement, the lead audit partner must rotate every five years, with a two-year cooling-off period.

# Transition and Selection

## Transition Planning:

- Begins at least 12 months before the current audit firm's engagement concludes.

## Audit Committee Responsibilities:

- Oversee transition and selection process
- Develop and issue Request for Proposals (RFP)
- Evaluate proposals
- Conduct interviews or presentations with finalist firms
- Recommend final audit firm selection to the Board for approval

## CFOO Responsibilities:

- Maintain accurate records of audit engagements and rotations
- Oversee transition logistics and ensure compliance
- Prepare documentation for waiver applications if required

# Oversight and Accountability

- Maintains comprehensive records of audit firm engagements, selection processes, and waiver applications.
- Annual Board updates on audit firm status, rotation timelines, and policy adherence.
- Board, Audit Committee, and Management jointly ensure compliance, transparency, and effective financial governance.

# Key Takeaways



## Compliance & Best Practices:



Ensures alignment with CA Ed Code



## Auditor Independence:



safeguards independence, objectivity and enhances credibility



## Structured Oversight:



Collaborative roles & responsibilities support effective oversight



## Transparency & Accountability:



Strong documentation and compliance enhance stakeholder trust.

# Thank You!



Noël Russell-Unterburger  
Chief Financial Operating Officer  
[noel@navigatorschools.org](mailto:noel@navigatorschools.org)

## **NAVIGATOR SCHOOLS**

### **AUDIT FIRM ROTATION POLICY**

Board Policy #

Recommended by: Audit Committee

Approved By: Board of Directors

#### **SCOPE**

This policy applies to the Navigator Schools' Board of Directors, Audit Committee, Chief Executive Officer & Superintendent, Chief Financial Operating Officer, and any other individuals or entities involved in selecting, engaging, and overseeing external audit services. It ensures compliance with California Education Code Section 41020(f)(2), which governs the rotation of audit firms for charter schools and other local educational agencies.

#### **PURPOSE**

The purpose of this policy is to:

1. Ensure compliance with California Education Code Section 41020(f)(2), specifically regarding audit firm rotation.
2. Maintain the independence and objectivity of external auditors, thereby protecting the integrity and reliability of Navigator Schools' financial reporting.
3. Encourage fresh insights and perspectives by preventing overly familiar relationships between the school and its auditors.
4. Strengthen internal controls and accountability to stakeholders.
5. Promote adherence to state regulations and best practices in financial oversight for nonprofit organizations.

#### **POLICY STATEMENT**

##### **Audit Firm Rotation**

Navigator Schools shall not engage the same external audit firm for more than six consecutive fiscal years. After this period, the school must select a new audit firm through a competitive bidding process. A previously engaged audit firm may only be reconsidered after a minimum two-year break following their last engagement, which aligns with California Education Code requirements.

In exceptional cases, the Audit Committee may recommend applying for a waiver from the Education Audit Appeals Panel (EAAP). This waiver would extend the current audit firm's

engagement by one additional year if granted. Such an extension must be justified in writing and approved by the Board of Directors (see "Exceptions" below).

### Lead Audit Partner Rotation

If the school retains the same audit firm due to an approved waiver, the lead audit partner assigned to Navigator Schools must rotate at least every five years. A two-year "cooling-off" period is required before a former lead audit partner can return to serve Navigator Schools in that role. This provision ensures continued objectivity and fresh perspectives while preserving institutional knowledge within the audit firm.

### Transition Process

Planning for the transition to a new audit firm will begin at least twelve months before the current firm's engagement ends. The Audit Committee will oversee this transition to ensure the continuity of audit services and facilitate the smooth transfer of knowledge regarding the school's financial systems and internal controls. The Audit Committee will select a new audit firm based on qualifications, expertise, and experience with charter school and non-profit audits, ensuring sufficient onboarding time for the new auditors.

### Exceptions

Exceptions to the six-year audit firm engagement limit can only occur through a waiver granted by the Education Audit Appeals Panel (EAAP). Such waivers must be recommended by the Audit Committee, approved by the Board of Directors, and supported by clear documentation explaining why the exception is necessary. Waivers should be rare and only pursued to maintain operational continuity or essential financial oversight.

## IMPLEMENTATION

### Responsibilities

#### *Audit Committee Responsibilities:*

1. Monitor the tenure of the current audit firm and lead audit partner.
2. Initiate and support the CFOO throughout the selection process of a new audit firm, ensuring compliance with state regulations.
3. Recommend the selected audit firm to the Board of Directors.
4. Determine if applying for an EAAP waiver is appropriate and manage the process if needed.
5. Ensure ongoing compliance with this policy and applicable state regulations.

#### *Chief Financial Operating Officer Responsibilities:*

1. Maintain accurate records of audit firm engagements and lead audit partner rotations.

2. Oversee selection and transition processes of a new audit firm, ensuring compliance with state regulations.
3. Prepare necessary documentation for waiver applications when applicable.
4. Ensure continuous and clear communication during transitions between audit firms.

## Selection Process

The Audit Committee will oversee a transparent and thorough selection process, including:

1. Develop a Request for Proposal (RFP) to solicit bids from qualified audit firms.
2. Evaluating proposals based on experience, qualifications, audit methodology, staffing, and cost-effectiveness.
3. Conducting interviews or presentations with finalist firms.
4. Performing comprehensive reference checks on finalist firms.
5. Documenting the entire selection process and presenting a final recommendation to the Board of Directors.

The Audit Committee will ensure the chosen audit firm has relevant experience auditing charter schools and nonprofits and meets all statutory requirements.

## Documentation and Reporting

The Audit Committee will maintain detailed records of:

1. Tenure history of audit firms and lead audit partners.
2. Competitive bidding and selection procedures for new audit firms.
3. Any waiver applications submitted to the EAAP and their outcomes.

The Audit Committee will provide an annual report to the Board of Directors outlining the status of audit firm engagements, upcoming rotation requirements, and compliance with this policy.

## CONCLUSION

This policy ensures Navigator Schools complies with California Education Code Section 41020(f)(2) by limiting audit firm engagements to a maximum of six consecutive fiscal years. Regular rotation of audit firms and lead partners safeguards the independence and objectivity of external audits, reinforcing accountability, transparency, and stakeholder confidence in the school's financial reporting. The Board of Directors, Audit Committee, and school administration share responsibility for implementing and adhering to this policy, thus maintaining robust financial governance and compliance standards.

Last Reviewed: March 25, 2025

Next Review Date: March 25, 2027



# Coversheet

## Audit Committee Charter

**Section:** II. Audit Committee  
**Item:** B. Audit Committee Charter  
**Purpose:** Vote  
**Submitted by:**  
**Related Material:**  
PROPOSED AUDIT COMMITTEE CHARTER FOR NAVIGATOR SCHOOLS.pdf  
Staff Report re Proposed Audit Committee Charter.pdf

**DRAFT**

# NAVIGATOR SCHOOLS

## Proposed Audit Committee Charter

*Establishing a framework for independent oversight of the organization's financial reporting, internal controls, and compliance with applicable laws and regulations*

**Audit Committee**

Ian Connell, Jan Mazyck, Nina Rosete

## Purpose of Charter

The Audit Committee Charter is intended to provide a blueprint for how the committee works, what it oversees, and its authority. The Charter further defines its purpose, scope and responsibilities ensuring alignment with legal, ethical, and organizational standards.

Here's why it matters:

1. **Clarifies Roles and Responsibilities:** It outlines what the audit committee is accountable for—typically oversight of financial reporting, internal controls, risk management, and compliance.
2. **Establishes Authority:** The charter gives the committee the power to access information, engage advisors, and interact directly with auditors and management without interference.
3. **Supports Independence and Objectivity:** By formalizing reporting lines and expectations; it helps safeguard the committee's independence—especially critical when evaluating sensitive financial or compliance issues.
4. **Enhances Transparency and Accountability:** A well-drafted charter signals to stakeholders that the organization takes governance seriously. It also provides a reference point for evaluating the committee's performance.
5. **Ensures Regulatory Compliance:** Many governance frameworks and laws (like Sarbanes-Oxley for public companies) require or strongly recommend a formal charter to prove oversight and due diligence.
6. **Promotes Consistency and Continuity:** Especially during leadership transitions, the charter ensures that new members understand their duties and the committee's operating principles.

## **PROPOSED AUDIT COMMITTEE CHARTER FOR NAVIGATOR SCHOOLS**

*(For consideration by Committee Members and proposed adoption by the Board of Directors)*

### **Purpose Statement – Audit Committee**

The Audit Committee is a standing committee of the Board of Directors, set up to promote sound financial oversight and strengthen public accountability. While the full Board retains ultimate responsibility, the Audit Committee's smaller size allows it to fulfill its responsibilities in a more manageable environment. ("Board's Role & Audit Committees - National Council of Nonprofits")<sup>1</sup>

The committee is not involved in Navigator's daily accounting functions but instead provides independent review and oversight of the audit process, including the choice, compensation, and performance evaluation of external auditors.

In alignment with *California Education Code §47604.3* and *Government Code §54950 et seq.* (The Brown Act), the Audit Committee ensures:

- **Transparency** in financial reporting and public accountability through open meeting practices
- **Integrity** in oversight of the audit engagement, including review of the auditor's scope, independence, and findings
- **Oversight** of internal control evaluations and corrective action plans as required under applicable laws
- **Compliance** with federal, state, and charter-specific financial reporting requirements

Additionally, the committee serves as a critical safeguard by addressing concerns about financial mismanagement or whistleblower complaints, following the organization's conflict-of-interest and disclosure policies.

### **I. Composition**

A. The Committee will consist of at least three members, including two Board Members and one independent financial expert if believed necessary.

B. Members are appointed by the Board of Directors and serve for a term of [2 years].

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<sup>1</sup> *The Board's Role & Audit Committees - National Council of Nonprofits.*

- C. The Board will appoint the Chairperson to oversee meetings and committee activities.

## II. Duties and Responsibilities

It is expected that the Committee will conduct the following:

- A. **Annual Audit Compliance.** Ensure compliance with the California Department of Education’s **K-12 Audit Guide** and oversee the annual independent financial audit conducted by a **certified public accountant (CPA)**.
- B. **Internal Controls & Risk Management** – Review the effectiveness of internal financial controls and risk mitigation policies.
- C. **Regulatory & Legal Compliance** – Verify adherence to state and federal regulations, including fiscal policies governing charter schools.
- D. **Whistleblower Protection** – Monitor financial misconduct reports and oversee investigations per California law and Board policies
- E. **External Auditor Liaison** – Select external auditors, review audit findings, and recommend corrective actions to ensure compliance and financial integrity.
- F. **Financial Reporting Review** – Evaluate financial statements and ensure accuracy in reporting to the Board and regulatory agencies
- G. **Policy & Governance Recommendations** – Advise the Board on fiscal policy enhancements, audit strategies, and fraud risk management measures.

## III. Compliance Reporting & Oversight Mechanisms with the goal of strengthening financial oversight, the Committee will:

- A. Require quarterly financial review meetings with school leadership to ensure ongoing compliance.
- B. Establish a formal whistleblower reporting mechanism, including confidential channels for reporting financial misconduct.
- C. Implement audit follow-up procedures, ensuring corrective actions from external audit findings are documented and enforced.

- D. Maintain detailed meeting minutes and give reports to the Board of Directors after each meeting.
- E. Conduct an annual review of governance policies related to financial operations to ensure alignment with updated state requirements.

#### **IV. Meetings**

- A. The Committee shall meet at least four times per year, or more often as needed. (“Microsoft Word - Audit Committee Charter..Clean”)
- B. Minutes shall be documented and formally presented to the Board of Directors.
- C. The Committee may invite school leadership, legal counsel, and external auditors to attend meetings when necessary.

#### **V. Authority**

The Committee has the authority to:

- A. Obtain financial reports and audit records from school management and external auditors.
- B. Commission special investigations into financial matters when necessary.
- C. Recommend policy changes, budget adjustments, and corrective actions to the Board.

#### **VI. Charter Review & Amendment**

This Audit Committee Charter shall be reviewed annually and may be amended upon approval by the Board of Directors to ensure ongoing compliance with state and federal financial regulations.

#### **Other References**

1. ***National Council of Non-profits: The Board’s Role and Audit Committee.***
2. ***California Education Code §47604.3 and Government Code §54950 et seq. (The Brown Act).***
3. ***Key guidelines and areas of focus for not-for-profit audit committees, as recommended by KPMG.***

**To:** Navigator Schools' Board of Directors

**From:** Members of the Audit Committee

**Date:** \_\_\_\_\_ August 2025

**Re:** *Recommendation to Adopt Audit Committee Charter*

## **Purpose**

The Audit Committee recommends that the Board of Directors adopt the proposed Audit Committee Charter for Navigator Charter Schools.

## **Background**

Navigator Charter Schools is strengthening its governance framework to support evolving legal, fiscal, and oversight responsibilities. As part of this effort, the Board formally established an Audit Committee \_\_\_\_\_, 2024, as a standing committee of the Board.

As a standing committee of the Board of Directors, the role of the Audit committee is intended to promote effective financial oversight, and strengthen public accountability. The full Board does retain ultimate responsibility, and the Audit Committee's smaller size carrying out its responsibilities in a more manageable environment.

## **Summary of Proposed Charter**

The Audit Committee Charter of Navigator Schools establishes the framework for independent oversight of the organization's financial reporting, internal controls, and compliance with applicable laws and regulations. It further outlines the committee's composition, authority, responsibilities, and procedures, ensuring transparency, accountability, and integrity in fiscal governance.

The Charter is aligned with California's Education Code and nonprofit best practices, and empowers the Audit Committee to engage auditors, review financial statements, monitor risk management practices, and support ethical stewardship of public funds. By way of this proposed Charter, Navigator Schools reaffirms its commitment to sound governance and continuous improvement in service of its educational mission.

## **Fiscal Impact**

Adoption of the Charter does not carry a direct fiscal impact. However, the Committee's oversight role is expected to reduce long-term risk by enhancing fiscal discipline, compliance, and internal control effectiveness

## **Recommendation**

Staff recommend the Board adopt the proposed Audit Committee Charter as presented. Doing so affirms Navigator’s commitment to transparent and accountable governance while reinforcing public trust in its financial stewardship.

## **Attachments**

Proposed Audit Committee Charter  
Summary of Governance Roles and Responsibilities

DRAFT



## Coversheet

### State Controller Rejection Letter of Navigator Schools Audit report for Fiscal Year 2022-23

**Section:** II. Audit Committee  
**Item:** D. State Controller Rejection Letter of Navigator Schools Audit report for  
Fiscal Year 2022-23  
**Purpose:** FYI  
**Submitted by:**  
**Related Material:** II D. Memo - State Controller Rejection Letter 7.14.25.pdf  
II D. SCO Audit Rejection Letter 2022-23.pdf  
II D. Reissued 2022-23 Audit Report.pdf



## MEMORANDUM

To: Audit Committee

From: Noël Russell-Unterburger, Chief Financial & Operating Officer

Date: July 14, 2025

Subject: Summary of State Controller's Office Audit Review Findings – FY 2022-23, June 4, 2025

### Overview

The State Controller's Office (SCO) completed its desk review of our annual audit report for the fiscal year ended June 30, 2023. The review identified several deficiencies that must be addressed to meet the minimum reporting standards as defined by the 2022-23 K-12 Audit Guide and California regulations.

### Key Findings

1. Schedule of Instructional Time: The report did not include a required footnote stating that the Organization received an approved J-13A.
2. Schedule of Expenditures of Federal Awards: The report omitted a note describing the significant accounting policies used in preparing this schedule.
3. Independent Auditor's Report: The report incorrectly included an "other-matter" paragraph describing finding 2023-001 as a Uniform Guidance finding, whereas it should have been classified as an internal control of financial statement finding.

### Required Actions

- Correction and Resubmission:  
All identified exceptions must be corrected, and a revised audit report must be submitted to the SCO within 30 days of receipt of their letter. The due date is July 4, 2025.

### Impact of the Most Critical Correction

Correction of the classification error in the Independent Auditor's Report is the most critical for compliance. Misclassifying an audit finding—such as reporting an internal control of financial statement finding as a Uniform Guidance finding—can have significant regulatory consequences. Accurate classification is required by federal regulations ([2 CFR §200.516](#)), and errors in this area may lead to regulatory noncompliance, increased scrutiny and oversight, and delays in certification.

### Resolution

On June 27, 2025, Lili Huang, Principal at CliftonLarsonAllen LLP, submitted the revised 2022-23 audit report, which corrected the three exceptions noted in the SCO June 4, 2025, rejection letter.

Attachments:

SCO Audit Rejection Letter

Reissued 2022-23 Audit Report



**MALIA M. COHEN**  
**California State Controller**

June 4, 2025

CliftonLarsonAllen LLP  
2210 East Route 66  
Glendora, CA 91740

Re: Rejection Letter – Fiscal Year 2022-23 Navigator Schools Audit Report

The State Controller's Office (SCO) has completed our desk review of the referenced entity's annual audit report for the fiscal year ended June 30, 2023. The review found that the audit report did not meet the minimum reporting standards contained in the audit guide, *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and prescribed in Title 5, *California Code of Regulations*, Section 19810.

The attachment to this letter describes the exception(s) noted during the review. The SCO recommends that you correct the exception(s) and modify your report within 30 days from receipt of this letter. Upon receipt, of the revised report, the SCO will review it and notify you and the auditee of the review results. The audit fee percentage stipulated in the audit contract must be withheld until the audit report is certified.

It is important to ensure that a copy of the revised audit report is provided to each recipient of the originally issued audit report. Therefore, your transmittal letter to the SCO must confirm that the revised reports are being forwarded to all recipients, particularly the California Department of Education.

Submit one copy of the revised audit report to the SCO by uploading it to the SCO Data Exchange Portal (DEP) at <https://dep.sco.ca.gov/> or at the following address:

State Controller's Office  
Division of Audits  
ATTN: School District Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

It is acceptable to submit only the page(s) requiring revision. You may email your revised pages to [leaaudits@sco.ca.gov](mailto:leaaudits@sco.ca.gov).

To upload files to DEP, your organization, or the CPA firm that submits on your behalf, must create an account in DEP using the account passcode provided to you by our office. The account passcode is a unique code that enables an individual to set up user accounts in DEP.

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250  
SACRAMENTO 3301 C Street, Suite 700, Sacramento, CA 95816 (916) 324-8907  
LOS ANGELES 901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754 (323) 981-6802

CliftonLarsonAllen LLP

June 4, 2025

Page 2

If your organization did not receive an account passcode, they may request one using the Contact SCO Form available on the home page of DEP or by sending an email to [leaaudits@sco.ca.gov](mailto:leaaudits@sco.ca.gov).

For more information about DEP submissions, please visit the K-12 Local Education Agencies, Charter Schools, and Joint Powers Entities (LEAs) webpage at [https://sco.ca.gov/aud\\_k12\\_lea.html](https://sco.ca.gov/aud_k12_lea.html) and click on the Data Exchange Portal (DEP) link under Submissions.

If you have any questions regarding this letter or any other LEA audit issue, please contact a member of my LEA Audits staff by email at [leaaudits@sco.ca.gov](mailto:leaaudits@sco.ca.gov).

Sincerely,



Joel James, Chief  
Financial Audits Bureau  
Division of Audits

Attachment

cc: Administrator, Navigator Schools  
Alameda County Superintendent of Schools  
San Benito County Superintendent of Schools  
Santa Clara County Superintendent of Schools  
Santa Cruz County Superintendent of Schools  
Alameda County Office of Education  
Gilroy Unified  
Hollister Elementary  
SBE - Watsonville Prep  
Raquel Tucker, Education Fiscal Services Consultant  
California Department of Education

## ATTACHMENT

### Navigator Schools Exception(s)

**The exception(s) on this attachment must be corrected before this audit report is certified by the State Controller's Office.**

1. The Schedule of Instructional Time did not include a footnote stating the Organization received an approved J-13A. [2022-23 K-12 Audit Guide, Report Component 4.c.5]
2. A note to the Schedule of Expenditures of Federal Awards that describe the significant accounting policies used in preparing the schedule was not included. [Uniform Guidance §200.510(b)(6)]
3. The Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance incorrectly included an other-matter paragraph that describe finding 2023-001 as a Uniform Guidance finding. Finding 2023-001 is included as an internal control of financial statement finding in the Schedule of Findings and Questioned Costs. [AU-C §935.30(h)]

**NAVIGATOR SCHOOLS**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2023**

**OPERATING:**

**Gilroy Prep - #1278**  
**Hollister Prep - #1507**  
**Watsonville Prep - #2032**  
**Hayward Collegiate - #2027**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Navigator Schools  
Gilroy, California

### Report on the Audit of the Consolidated Financial Statements

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Navigator Schools (Navigator), a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Navigator as of June 30, 2023, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Navigator Schools and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As discussed in Note 1 to the consolidated financial statements, in 2023 Navigator adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with response to this matter.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

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



Board of Directors  
Navigator Schools

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Navigator's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

***Auditors' Responsibility for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Navigator's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Navigator's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors  
Navigator Schools

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on Navigator’s consolidated financial statements as a whole. The accompanying schedules of the CMO, Gilroy Prep, Hollister Prep, Watsonville Prep, Hayward Collegiate, 407 Main Street, LLC, and the elimination columns in the statements of financial position, activities and cash flows as well as the supplementary information (as identified in the table of contents) accompanying supplementary schedules, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and, except for the portion marked “unaudited”, was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole. The Local Education Agency Organization Structure, which is marked “unaudited”, has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2024 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  
February 15, 2024

**NAVIGATOR SCHOOLS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**

ASSETS	Navigator Schools						Eliminations	Total
	CMO	Gilroy Prep	Hollister Prep	Watsonville Prep	Hayward Collegiate	407 Main St. LLC		
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	\$ 5,982,279	\$ -	\$ -	\$ (11,662)	\$ 1,960,025	\$ 463,721	\$ -	\$ 8,394,363
Accounts Receivable	2,933,037	3,331,044	3,623,459	2,923,707	492,303	-	(7,109,846)	6,193,704
Prepaid Expenses and Other Assets	97,628	154,319	143,244	138,950	54,654	-	-	588,795
Total Current Assets	<u>9,012,944</u>	<u>3,485,363</u>	<u>3,766,703</u>	<u>3,050,995</u>	<u>2,506,982</u>	<u>463,721</u>	<u>(7,109,846)</u>	<u>15,176,862</u>
<b>LONG-TERM ASSETS</b>								
Deferred Rent Asset	-	-	-	-	-	350,855	(350,855)	-
Property, Plant, and Equipment, Net	51,681	118,189	109,194	9,817	84,680	8,324,831	-	8,698,392
Operating Right-of-Use Asset	47,255	44,731	44,731	10,462,903	183,565	9,508,170	(10,432,489)	9,858,866
Total Long-Term Assets	<u>98,936</u>	<u>162,920</u>	<u>153,925</u>	<u>10,472,720</u>	<u>268,245</u>	<u>18,183,856</u>	<u>(10,783,344)</u>	<u>18,557,258</u>
Total Assets	<u>\$ 9,111,880</u>	<u>\$ 3,648,283</u>	<u>\$ 3,920,628</u>	<u>\$ 13,523,715</u>	<u>\$ 2,775,227</u>	<u>\$ 18,647,577</u>	<u>\$ (17,893,190)</u>	<u>\$ 33,734,120</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES</b>								
Accounts Payable and Accrued Liabilities	6,052,890	338,945	304,397	529,344	854,785	1,893,076	(7,109,846)	\$ 2,863,591
Deferred Revenue	250,000	201,156	621,870	641,916	151,875	-	-	1,866,817
Notes Payable, Current Portion	-	-	-	113,226	46,194	13,412	-	172,832
Operating Lease Liability, Current Portion	35,979	14,129	14,129	6,903	173,546	-	-	244,686
Total Current Liabilities	<u>6,338,869</u>	<u>554,230</u>	<u>940,396</u>	<u>1,291,389</u>	<u>1,226,400</u>	<u>1,906,488</u>	<u>(7,109,846)</u>	<u>5,147,926</u>
<b>LONG-TERM LIABILITIES</b>								
Notes Payable	-	-	-	230,789	46,198	8,581,557	-	8,858,544
Deferred Rent	-	-	-	-	-	-	-	-
Operating Lease Liability, Long Term	11,755	30,602	30,602	10,806,855	14,716	10,783,344	(10,783,344)	10,894,530
Total Long-Term Liabilities	<u>11,755</u>	<u>30,602</u>	<u>30,602</u>	<u>11,037,644</u>	<u>60,914</u>	<u>19,364,901</u>	<u>(10,783,344)</u>	<u>19,753,074</u>
Total Liabilities	6,350,624	584,832	970,998	12,329,033	1,287,314	21,271,389	(17,893,190)	24,901,000
<b>NET ASSETS</b>								
Without Donor Restrictions	2,761,256	3,063,451	2,949,630	1,194,682	1,487,913	(2,623,812)	-	8,833,120
Total Net Assets	<u>2,761,256</u>	<u>3,063,451</u>	<u>2,949,630</u>	<u>1,194,682</u>	<u>1,487,913</u>	<u>(2,623,812)</u>	<u>-</u>	<u>8,833,120</u>
Total Liabilities and Net Assets	<u>\$ 9,111,880</u>	<u>\$ 3,648,283</u>	<u>\$ 3,920,628</u>	<u>\$ 13,523,715</u>	<u>\$ 2,775,227</u>	<u>\$ 18,647,577</u>	<u>\$ (17,893,190)</u>	<u>\$ 33,734,120</u>

See accompanying Notes to Consolidated Financial Statements.

**NAVIGATOR SCHOOLS  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

	Navigator Schools						Eliminations	Total
	CMO	Gilroy Prep	Hollister Prep	Watsonville Prep	Hayward Collegiate	407 Main St. LLC		
<b>WITHOUT DONOR RESTRICTIONS:</b>								
<b>REVENUES</b>								
State Revenue:								
State Apportionment	\$ -	\$ 2,684,809	\$ 3,729,486	\$ 4,730,461	1,178,934	\$ -	\$ -	\$ 12,323,690
Other State Revenue	128,780	1,884,724	1,633,840	1,669,185	719,323	-	-	6,035,852
Federal Revenue:								
Grants and Entitlements	-	578,282	434,411	440,416	307,166	-	-	1,760,275
Local Revenue:								
In-Lieu Property Tax Revenue	-	2,661,866	1,726,465	-	531,815	-	-	4,920,146
Contributions of Assets of Hayward Collegiate	-	-	-	-	1,741,290	-	-	1,741,290
Contributions	675,000	18,001	16,287	16,750	152,623	-	-	878,661
Investment Income	-	-	-	350	-	-	-	350
Other Revenue	2,606,819	20,549	56,418	6,877	17,063	805,052	(3,365,640)	147,138
Net Assets Released from Restriction	-	-	-	39,000	-	-	-	39,000
Total Revenues	<u>3,410,599</u>	<u>7,848,231</u>	<u>7,596,907</u>	<u>6,903,039</u>	<u>4,648,214</u>	<u>805,052</u>	<u>(3,365,640)</u>	<u>27,846,402</u>
<b>EXPENSES</b>								
Program Services	410,029	5,924,307	5,617,509	5,115,382	2,376,606	872,647	-	20,316,480
Management and General	2,955,147	1,339,222	1,388,145	1,345,071	779,253	908,971	(3,365,640)	5,350,169
Total Expenses	<u>3,365,176</u>	<u>7,263,529</u>	<u>7,005,654</u>	<u>6,460,453</u>	<u>3,155,859</u>	<u>1,781,618</u>	<u>(3,365,640)</u>	<u>25,666,649</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	45,423	584,702	591,253	442,586	1,492,355	(976,566)	-	2,179,753
<b>WITH DONOR RESTRICTIONS REVENUES:</b>								
Net Assets Released from Restriction	-	-	-	(39,000)	-	-	-	(39,000)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	-	-	-	(39,000)	-	-	-	(39,000)
<b>CHANGE IN NET ASSETS</b>	45,423	584,702	591,253	403,586	1,492,355	(976,566)	-	2,140,753
Net Assets - Beginning of Year	<u>2,715,833</u>	<u>2,478,749</u>	<u>2,358,377</u>	<u>791,096</u>	<u>(4,442)</u>	<u>(1,647,246)</u>	-	<u>6,692,367</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,761,256</u>	<u>\$ 3,063,451</u>	<u>\$ 2,949,630</u>	<u>\$ 1,194,682</u>	<u>\$ 1,487,913</u>	<u>\$ (2,623,812)</u>	<u>\$ -</u>	<u>\$ 8,833,120</u>

See accompanying Notes to Consolidated Financial Statements.

**NAVIGATOR SCHOOLS  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2023**

	Navigator Schools						Eliminations	Total
	CMO	Gilroy Prep	Hollister Prep	Watsonville Prep	Hayward Collegiate	407 Main St. LLC		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Change in Net Assets	\$ 45,423	\$ 584,702	\$ 591,253	\$ 403,586	\$ 1,492,355	\$ (976,566)	\$ -	\$ 2,140,753
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:								
Depreciation	4,698	48,746	25,762	5,794	80,387	291,097	-	456,484
Noncash Lease Expense	479	-	-	350,855	4,697	1,275,174	(350,855)	1,280,350
(Increase) Decrease in Assets:								
Accounts Receivable	(1,657,621)	(600,732)	(1,239,126)	(1,729,331)	(492,303)	(1,036,502)	-	(6,755,615)
Prepaid Expenses and Other Assets	(30,698)	70,885	46,706	92,412	(51,716)	-	-	127,589
Deferred Rent Asset	-	-	-	-	-	(350,855)	350,855	-
Increase (Decrease) in Liabilities:								
Accounts Payable and Accrued Liabilities	1,598,126	34,146	82,777	237,223	847,405	1,970,233	-	4,769,910
Deferred Revenue	250,000	(137,747)	492,628	523,993	151,875	-	-	1,280,749
Deferred Rent Liability	-	-	-	-	-	(957,330)	-	(957,330)
Net Cash Provided by Operating Activities	210,407	-	-	(115,468)	2,032,700	215,251	-	2,342,890
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchases of Property, Plant, and Equipment	(56,379)	-	-	-	(165,067)	(83,396)	-	(304,842)
Net Cash Used by Investing Activities	(56,379)	-	-	-	(165,067)	(83,396)	-	(304,842)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Proceeds from Notes Payable	-	-	-	-	138,586	-	-	138,586
Transfer of Notes Payable	(150,000)	-	-	150,000	-	-	-	-
Repayments of Notes Payable	-	-	-	(46,194)	(46,194)	-	-	(92,388)
Net Cash Provided by Financing Activities	(150,000)	-	-	103,806	92,392	-	-	46,198
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,028	-	-	(11,662)	1,960,025	131,855	-	2,084,246
Cash and Cash Equivalents - Beginning of Year	5,978,251	-	-	-	-	331,866	-	6,310,117
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 5,982,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,662)</u>	<u>\$ 1,960,025</u>	<u>\$ 463,721</u>	<u>\$ -</u>	<u>\$ 8,394,363</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>								
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,450</u>	<u>\$ 1,725</u>	<u>\$ 568,055</u>	<u>\$ -</u>	<u>\$ 581,230</u>

See accompanying Notes to Consolidated Financial Statements.

**NAVIGATOR SCHOOLS**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**

	Program Services	Management and General	Eliminations	Total Expenses
Salaries and Wages	\$ 10,852,522	\$ 2,484,325	\$ -	\$ 13,336,847
Pension Expense	1,220,191	144,061	-	1,364,252
Other Employee Benefits	1,737,071	320,301	-	2,057,372
Payroll Taxes	438,244	105,626	-	543,870
Management Fees	-	398,623	-	398,623
Legal Expenses	-	114,764	-	114,764
Accounting Expenses	-	52,026	-	52,026
Instructional Materials	288,225	-	-	288,225
Other Fees for Services	1,519,511	2,995,688	(2,561,395)	1,953,804
Advertising and Promotion Expenses	-	22,851	-	22,851
Office Expenses	282,872	312,392	-	595,264
Information Technology Expenses	864,963	98,618	-	963,581
Occupancy Expenses	1,969,649	113,671	(804,245)	1,279,075
Travel Expenses	107,875	194,764	-	302,639
Interest Expense	-	581,230	-	581,230
Depreciation Expense	-	456,487	-	456,487
Insurance Expense	-	62,794	-	62,794
Other Expenses	1,035,357	257,588	-	1,292,945
Subtotal	<u>20,316,480</u>	<u>8,715,809</u>	<u>(3,365,640)</u>	<u>25,666,649</u>
Eliminations	<u>-</u>	<u>(3,365,640)</u>	<u>3,365,640</u>	<u>-</u>
 Total Functional Expenses	 <u><u>\$ 20,316,480</u></u>	 <u><u>\$ 5,350,169</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 25,666,649</u></u>

See accompanying Notes to Consolidated Financial Statements.

(7)

**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Navigator Schools (Navigator Schools) 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 workplace.

Navigator Schools 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.

Navigator Schools Support Corporation (Support Corporation) is a California nonprofit public benefit corporation created to receive philanthropic donations to support Navigator Schools' operations and programs.

407 Main Street, LLC (LLC) was created for the exclusive purpose to hold title to property and provide real estate leases to Navigator Schools. The LLC is a single member limited liability company, where the Support Corporation is the sole member.

**Contributions of Assets of Hayward Collegiate**

As of July 1, 2022, Navigator School acquired an existing operating charter school, Hayward Collegiate. The inherent contribution received was measured as the excess of assets acquired over liabilities since there was no monetary consideration for the transfer, there is no noncontrolling interest in the acquired, and the acquisition was not achieved in stages. Assets acquired were identifiable and liabilities assumed, the excess of assets acquired over liabilities totaled \$1,741,290 on July 1, 2022.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Navigator Schools, Support Corporation and its subsidiary, the LLC. Navigator Schools has both control and an economic interest in the Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "Navigator".

**Basis of Accounting**

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

**Basis of Presentation**

The accompanying consolidated 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.

**NAVIGATOR SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of consolidated 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**

Costs of providing Navigator's programs and other activities have been presented in the consolidated 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. The expenses that are allocated include Benefits, Payroll Taxes, and Pension which are allocated based on 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.

**Accounts Receivable**

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2023. 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.

**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.



**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**Conditional Grants**

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when Navigator has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the consolidated statement of financial position. As of June 30, 2023, Navigator has conditional grants of \$4,943,746 of which \$1,866,817 is recognized as deferred revenue in the consolidated statement of financial position.

**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.

**NAVIGATOR SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

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

407 Main Street, LLC is considered disregarded and therefore, exempt from the payment of income taxes. Additionally, the LLC has been granted exemption from the California state LLC fee under the California Revenue and Taxation Code.

**Leases**

Navigator leases office space, equipment, and school facilities. Navigator determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the statement of financial position. Finance leases are included in financing ROU assets, and lease liabilities – financing on the statement of financial position.

ROU assets represent Navigators right to use an underlying asset for the lease term and lease liabilities represent Navigators obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, Navigator uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Navigator will exercise that option. Navigators has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statement of financial position.

Navigator has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Navigators lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**NAVIGATOR SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

In evaluating contracts to determine if they qualify as a lease, Navigator considers factors such as if Navigator has obtained substantially all of the rights to the underlying asset through exclusivity, if Navigator can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, Navigator has elected to use a risk-free rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

**Adoption of New Accounting Standards**

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Navigator adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available.

Navigator has elected to adopt the package of practical expedients available in the year of adoption. Navigator has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of Navigator's ROU assets.

Navigator elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In addition, Navigator elected the hindsight practical expedient to determine the lease term for existing leases.

**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Standards (Continued)**

As a result of the adoption of the new lease accounting guidance, Navigator recognized on July 1, 2022 a ROU asset at the carrying amount of the lease asset of \$10,169,478. Navigator also recognized on July 1, 2022 a lease liability of \$11,126,808, which represents the present value of the remaining lease payments discounted using the a risk-free rate of 3.07%.

The standard had a material impact on the statement of financial position but did not have an impact on the statement of activities, nor the statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**Evaluation of Subsequent Events**

Navigator has evaluated subsequent events through February 15, 2024, the date these consolidated 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 consolidated statement of financial position date. Financial assets available for general expenditures comprise of the following:

Cash and Cash Equivalents	\$	8,394,363
Accounts Receivable		6,193,704
Total		\$ 14,588,067

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.

**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment in the accompanying consolidated financial statements is presented net of accumulated depreciation. Depreciation expense was \$456,487 for the year ended June 30, 2023.

The components of property, plant, and equipment as of June 30, 2023 are as follows:

	CMO	Gilroy Prep	Hollister Prep	Watsonville Prep	Hayward Collegiate	407 Main St. LLC	Total
Leasehold Improvements	\$ -	\$ 214,247	\$ 31,184	\$ -	\$ 157,902	\$ 8,849,370	\$ 9,252,703
Equipment, Furniture and Fixtures	56,379	358,558	247,136	28,972	7,165	10	698,220
Total	56,379	572,805	278,320	28,972	165,067	8,849,380	9,950,923
Less: Accumulated Depreciation	(4,698)	(454,616)	(169,126)	(19,155)	(80,387)	(524,549)	(1,252,531)
Total Property, Plant, and Equipment	\$ 51,681	\$ 118,189	\$ 109,194	\$ 9,817	\$ 84,680	\$ 8,324,831	\$ 8,698,392

**NOTE 5 NOTES PAYABLE AND DEBT**

CDE Loans:

On August 29, 2019, Navigator entered into a Charter School Revolving Loan (CDE Loan) with the California School Finance Authority, in the amount of \$250,000. The loan bears an interest rate of 2.04% and matures in April 2023. The first repayment is due in August 2020. The outstanding balance on the CDE loan as of June 30, 2023 was \$113,226.

As part of the acquisition of Hayward Collegiate, Navigator assumed liabilities of \$138,586 for a Charter School Revolving Loan (CDE Loan) with the California School Finance Authority, originally borrowed in the amount of \$250,000 in June 2019. The loan bears an interest rate of ranging from 1.88% to 2.37% and matures in January 2025. The first repayment is due in August 2020. The outstanding balance on the CDE loan as of June 30, 2023 was \$92,392.

PCSD Loan:

In January 2021, Navigator converted their promissory note with Pacific Charter School Development (PCSD Loan), a nonprofit organization, into a loan for \$1,400,000 for the Watsonville Prep Construction. The loan bears an interest rate of 2.50% and matures in December 2027 on which date a balloon payment will be made. The outstanding balance on the PCSD loan as of June 30, 2023 was \$1,400,000.

Civic Loan:

In January 2021, the LLC entered into a loan agreement with Civic Builders, LLC (Civic Loan) to fund the rehabilitation, renovation, and construction of improvements to the leased premises at 407 Main Street, to house the Watsonville Charter School facility. The aggregate principal amount of the loan is \$5,880,000 and contains two notes. Note A for the amount of \$4,664,242 at 5.10% interest is due in full on December 31, 2027. Note B for the amount of \$1,215,758 at 5.10% interest is due in full on January 1, 2051. The outstanding balance on Civic loan as of June 30, 2023 is \$5,880,000.

**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 5 NOTES PAYABLE AND DEBT (CONTINUED)**

Low Income Investment Fund Loan:

In January 2021, the LLC obtained a promissory note from the Low Income Investment Fund (LIIF Loan) up to the amount of \$1,545,758, which will be available once the revolving loan matures. The loan bears an interest rate of 5.75% and matures in December 2027. The outstanding balance on the LIIF Loan as of June 30, 2023 is \$1,545,758.

Future maturities under notes payable are as follows:

<u>Year Ended June 30,</u>	<u>CDE Loan</u>	<u>PCSD Loan</u>	<u>Civic Loan</u>	<u>LIIF Loan</u>	<u>Total</u>
2024	\$ 159,420	\$ -	\$ -	\$ 13,412	\$ 172,832
2025	46,198	-	-	26,578	72,776
2026	-	-	-	26,578	26,578
2027	-	-	-	26,578	26,578
2028	-	1,400,000	4,678,117	1,452,612	7,530,729
Thereafter	-	-	1,201,883	-	1,201,883
Total	<u>\$ 205,618</u>	<u>\$ 1,400,000</u>	<u>\$ 5,880,000</u>	<u>\$ 1,545,758</u>	<u>\$ 9,031,376</u>

**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended June 30:

Subject to Expenditures for Specified Purpose:

Watsonville Instruction Partners Engagement	<u>\$ 39,000</u>
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**NOTE 7 OPERATING LEASES – ASC 842**

Navigator leases equipment as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through June 2051.

The following table provides quantitative information concerning Navigator’s lease for the year ended June 30, 2023:

Operating Lease Costs	<u>\$ 783,894</u>
Other Information:	
Operating Cash Flows from Operating Leases	460,873
Right-Of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	10,298,576
Weighted-Average Remaining Lease Term - Operating Leases	27.2 Years
Weighted-Average Discount Rate - Operating	3.11%

**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 OPERATING LEASES – ASC 842 (CONTINUED)**

Navigator classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

Year Ending June 30,	Operating Leases
2024	\$ 567,855
2025	400,094
2026	524,170
2027	533,370
2028	531,600
Thereafter	14,595,012
Total Lease Payments	17,152,101
Less: Interest	(6,012,885)
Present Value of Lease Liabilities	\$ 11,139,216

As of June 30, 2023, Navigator has an additional operating copier lease that have not yet commenced of \$226 every quarter. The operating leases will commence in August 2023 with lease terms of 5 years.

**NOTE 8 INTERCOMPANY LEASES**

Navigator (Watsonville) leases a facility from the LLC. Total rental income and rental expense of \$804,244 were eliminated in the consolidated financial statements.

**NOTE 9 FACILITIES USE AGREEMENTS**

Navigator has various facilities use agreements. 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, 2023 were \$160,400.

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, 2023 were \$145,704.

**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 10 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.

**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, 2022 total STRS plan net assets are \$300 billion, the total actuarial present value of accumulated plan benefits is \$434 billion, contributions from all employers totaled \$6.513 billion, and the plan is 74.4% funded. Navigator Schools did not contribute more than 5% of the total contributions to the plan.

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



**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 10 EMPLOYEE RETIREMENT (CONTINUED)**

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

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 10.21% of their salary. Navigator Schools 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. The required employer contribution rate for year ended June 30, 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

Navigator School'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>
2021	\$ 878,941	100%
2022	\$ 1,056,992	100%
2023	\$ 1,361,986	100%

**NOTE 11 CHARTER MANAGEMENT ORGANIZATION**

Navigator charges CMO fees of \$2,561,395 to each charter for management services performed during the year. Navigator (Gilroy Prep) paid CMO fees of \$770,350 for the year ended June 30, 2023. Navigator (Hollister Prep) paid CMO fees of \$800,895 for the year ended June 30, 2023. Navigator (Watsonville Prep) paid CMO fees of \$696,926 for the year ended June 30, 2023. Navigator (Hayward Collegiate) paid CMO fees of \$293,224. These fees were eliminated in the consolidated financial statements.

**NOTE 12 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.

## **SUPPLEMENTARY INFORMATION**

**NAVIGATOR SCHOOLS  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 YEAR ENDED JUNE 30, 2023  
 (SEE INDEPENDENT AUDITORS' REPORT - UNAUDITED)**

Navigator Schools 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 Schools began serving students at Gilroy Prep in August 2011 and the charter school is sponsored by the Gilroy Unified School District. Gilroy Prep charter school number authorized by the state: 1278.

Navigator Schools began serving students at Hollister Prep in August 2013 and the charter school is sponsored by the Hollister Unified School District. Hollister Prep charter school number authorized by the state: 1507.

Navigator Schools began serving students at Watsonville Prep in August 2019 and the charter school is sponsored by State Board of Education - Watsonville Prep. Watsonville Prep charter school number authorized by the state: 2032.

The board of directors and the administrators as of the year ended June 30, 2023 were as follows:

**BOARD OF DIRECTORS**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
John Flaherty	Chair	June 2024
Ian Connell	Secretary	June 2024
Victor Paredes-Colonia	Treasurer	June 2023
JP Anderson	Member	June 2024
Claire Grisson	Member	June 2024
Chuck Daggs	Member	June 2025
Shara Hegde	Member	June 2025
Alfred Morikang	Member	June 2024
Jaime Quiroga	Member	June 2024

**ADMINISTRATORS**

Kevin Sved	Chief Executive Officer (As of June 30, 2023)
Caprice Young	Chief Executive Officer (As of July 1, 2023)
Ami Ortiz	Director of Business and Finance

**NAVIGATOR SCHOOLS  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2023**

	Instructional Minutes		Credited Minutes J-13A Certification	Total Actual Plus Credited Minutes	Traditional Calendar Days	Credited J-13A	Total Actual Plus Credited Days	Status
	Requirement	Actual						
<b>Gilroy Prep:</b>								
Kindergarten	36,000	58,110	-	58,110	178	-	178	In Compliance
Grade 1	50,400	65,270	-	65,270	178	-	178	In Compliance
Grade 2	50,400	65,270	-	65,270	178	-	178	In Compliance
Grade 3	50,400	65,270	-	65,270	178	-	178	In Compliance
Grade 4	54,000	65,270	-	65,270	178	-	178	In Compliance
Grade 5	54,000	65,270	-	65,270	178	-	178	In Compliance
Grade 6	54,000	54,695	-	54,695	178	-	178	In Compliance
Grade 7	54,000	54,695	-	54,695	178	-	178	In Compliance
Grade 8	54,000	54,695	-	54,695	178	-	178	In Compliance
<b>Hollister Prep:</b>								
Kindergarten	36,000	58,750	-	58,750	178	-	178	In Compliance
Grade 1	50,400	61,450	-	61,450	178	-	178	In Compliance
Grade 2	50,400	61,450	-	61,450	178	-	178	In Compliance
Grade 3	50,400	59,670	-	59,670	178	-	178	In Compliance
Grade 4	54,000	59,670	-	59,670	178	-	178	In Compliance
Grade 5	54,000	59,670	-	59,670	178	-	178	In Compliance
Grade 6	54,000	61,745	-	61,745	178	-	178	In Compliance
Grade 7	54,000	61,150	-	61,150	178	-	178	In Compliance
Grade 8	54,000	61,150	-	61,150	178	-	178	In Compliance
<b>Watsonville Prep:</b>								
Transitional Kindergarten	36,000	53,340	2,190	55,530	172	7	179	In Compliance
Kindergarten	36,000	53,340	2,190	55,530	172	7	179	In Compliance
Grade 1	50,400	57,360	2,360	59,720	172	7	179	In Compliance
Grade 2	50,400	59,720	2,360	62,080	172	7	179	In Compliance
Grade 3	50,400	59,720	2,360	62,080	172	7	179	In Compliance
Grade 4	54,000	59,085	2,435	61,520	172	7	179	In Compliance
Grade 5	54,000	59,085	2,435	61,520	172	7	179	In Compliance

Watsonville Prep received an approved J-13A for seven emergency days: January 4-5, January 9-10, January 12-13, and March 13, 2023.

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**NAVIGATOR SCHOOLS  
SCHEDULE OF INSTRUCTIONAL TIME (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

	Instructional Minutes		Credited Minutes J-13A Certification	Total Actual Plus Credited Minutes	Traditional Calendar Days	Credited J-13A	Total Actual Plus Credited Days	Status
	Requirement	Actual						
Hayward Collegiate								
Transitional Kindergarten	36,000	69,840	-	69,840	180	-	180	In Compliance
Kindergarten	36,000	69,840	-	69,840	180	-	180	In Compliance
Grade 1	50,400	66,080	-	66,080	180	-	180	In Compliance
Grade 2	50,400	66,080	-	66,080	180	-	180	In Compliance
Grade 3	50,400	66,080	-	66,080	180	-	180	In Compliance
Grade 4	54,000	66,450	-	66,450	180	-	180	In Compliance

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**NAVIGATOR SCHOOLS  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2023**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Gilroy Prep:				
K-3	220.03	220.03	221.03	221.03
Grades 4-6	167.37	167.37	167.63	167.63
Grades 7-8	110.63	110.63	110.71	110.71
ADA Totals	<u>498.03</u>	<u>498.03</u>	<u>499.37</u>	<u>499.37</u>
Hollister Prep:				
K-3	220.50	220.50	221.25	221.25
Grades 4-6	168.34	168.34	168.20	168.20
Grades 7-8	105.91	105.91	106.25	106.25
ADA Totals	<u>494.75</u>	<u>494.75</u>	<u>495.70</u>	<u>495.70</u>
Watsonville Prep:				
TK/K-3	237.49	237.49	242.22	242.22
Grades 4-6	112.61	112.61	112.34	112.34
ADA Totals	<u>350.10</u>	<u>350.10</u>	<u>354.56</u>	<u>354.56</u>
Hayward Collegiate				
TK/K-3	117.56	117.56	117.92	117.92
Grades 4-6	23.59	23.59	23.71	23.71
ADA Totals	<u>141.15</u>	<u>141.15</u>	<u>141.63</u>	<u>141.63</u>

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**NAVIGATOR SCHOOLS  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

	<u>Gilroy Prep</u>	<u>Hollister Prep</u>	<u>Watsonville</u>	<u>Hayward Collegiate</u>
June 30, 2023 Annual Financial Report Fund Balances (Net Assets)	\$ 3,489,039	\$ 3,194,648	\$ 1,777,079	\$ 1,513,527
Adjustments and Reclassifications:				
Increase (Decrease) of Fund Balance (Net Assets):				
Cash and Cash Equivalents	-	-	(1,281,367)	-
Accounts Receivable	1,521,453	1,850,867	1,603,876	13,359
Prepaid Expenses and Other Assets	1,848	(61)	-	(292)
Property, Plant, and Equipment, Net	(1,846)	-	9,817	-
Operating Right-of-Use Asset	44,731	44,731	10,462,903	183,565
Accounts Payable and Accrued Liabilities	(160,331)	272,954	(39,875)	(766,181)
Notes Payable, Current Portion	-	-	(113,226)	(46,194)
Deferred Revenue	(201,156)	(621,870)	(523,993)	(151,875)
Notes Payable	(1,585,556)	(1,746,908)	113,226	930,266
Operating Lease Liabilities	<u>(44,731)</u>	<u>(44,731)</u>	<u>(10,813,758)</u>	<u>(188,262)</u>
Net Adjustments and Reclassifications	<u>(425,588)</u>	<u>(245,018)</u>	<u>(582,397)</u>	<u>(25,614)</u>
June 30, 2023 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 3,063,451</u>	<u>\$ 2,949,630</u>	<u>\$ 1,194,682</u>	<u>\$ 1,487,913</u>

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**NAVIGATOR SCHOOLS  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Additional Award Identification					Total
				Gilroy Prep	Hollister Prep	Watsonville Prep	Hayward Collegiate	
<b>U.S. Department of Education</b>								
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		\$ 94,713	\$ 101,581	\$ 90,412	\$ 36,164	\$ 322,870
Title II, Improving Teacher Quality	84.367	14341		13,683	16,318	11,632	5,318	46,951
Title III, Limited English Proficiency	84.365	14346		19,821	22,482	24,078	-	66,381
Title IV, Student Support and Academic Enrichment	84.424	15391		10,000	10,000	10,000	10,000	40,000
Special Education Cluster - IDEA Basic Local Assistance	84.027	13379		78,541	79,277	45,218	20,699	223,735
Total Special Education Cluster				78,541	79,277	45,218	20,699	223,735
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):								
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	COVID-19	37,745	35,689	10,317	78,193	161,944
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	68,321	74,770	55,589	48,603	247,283
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	COVID-19	10,139	10,626	8,922	11,530	41,217
Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	COVID-19	7,423	18,173	10,092	2,646	38,334
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	COVID-19	26,974	28,973	4,095	7,516	67,558
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	COVID-19	31,451	36,522	-	12,956	80,929
Total Coronavirus Aid, Relief, and Economic Security Act				182,053	204,753	89,015	161,444	637,265
Total U.S. Department of Education				398,811	434,411	270,355	233,625	1,337,202
<b>U.S. Department of Agriculture</b>								
Pass-Through Program from California Department of Education:								
Child Nutrition Cluster: National School Lunch Program	10.555	N/A		179,471	-	170,061	73,541	423,073
Total Child Nutrition Cluster				179,471	-	170,061	73,541	423,073
Total U.S. Department of Agriculture				179,471	-	170,061	73,541	423,073
Total Federal Expenditures				\$ 578,282	\$ 434,411	\$ 440,416	\$ 307,166	\$ 1,760,275

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

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.



**NAVIGATOR SCHOOLS  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**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 Schools. 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 CONSOLIDATED 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.

**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 Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented 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 Schools, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Navigator Schools.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**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.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF CONSOLIDATED 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 consolidated financial statements of Navigator Schools (Navigator), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated February 15, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated 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 opinion on the consolidated 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 Navigator's consolidated 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 identify a deficiency in internal control that we consider to be material weaknesses and is documented in the Schedule of Findings and Questioned Costs as 2023-001. Other material weaknesses or significant deficiencies may exist that have not been identified.

Board of Directors  
Navigator Schools

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Navigator's consolidated 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 consolidated 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 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 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  
February 15, 2024



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

Board of Directors  
Navigator Schools  
Gilroy, California

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Navigator Schools' (Navigator) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Navigator's major federal programs for the year ended June 30, 2023. Navigator's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Navigator complied, in all material respects, with the 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, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Navigator and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Navigator's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Navigator's federal programs.

Board of Directors  
Navigator Schools

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Navigator's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Navigator's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Navigator's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Navigator's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Navigator's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Board of Directors  
Navigator Schools

### **Report on 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 a 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 in internal control over compliance, 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
February 15, 2024



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## **INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER STATE COMPLIANCE**

Board of Directors  
Navigator Schools  
Gilroy, California

### **Report on Compliance**

#### **Opinion on State Compliance**

We have audited Navigator Schools' (Navigator) compliance with the types of compliance requirements applicable to Navigator described in the *2022-2023 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, 2023. Navigator's applicable state compliance requirements are identified in the table below.

In our opinion, Navigator complied, in all material respects, with the compliance requirements referred to above that are applicable to Navigator for the year ended June 30, 2023.

#### **Basis for Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Our responsibilities under those standards and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Navigator and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Navigator's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Navigator's state programs.



Board of Directors  
Navigator Schools

### **Auditors' Responsibility for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Navigator's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Navigator's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Navigator's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Navigator's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, but not for the purpose of expressing an opinion on the effectiveness of Navigator's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Board of Directors  
Navigator Schools

### 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 <sup>1</sup>
After/Before School Education and Safety Program	Not Applicable <sup>2</sup>
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable <sup>3</sup>
Immunizations	Not Applicable <sup>4</sup>
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant (CTEIG)	Not Applicable <sup>5</sup>
Transitional Kindergarten	Yes <sup>6</sup>
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable <sup>7</sup>
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable <sup>8</sup>
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes <sup>9</sup>

Not Applicable<sup>1</sup>: Navigator did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable<sup>2</sup>: Navigator did not operate an after or before school program component of this grant.

Not Applicable<sup>3</sup>: Navigator did not report ADA pursuant to Education Code section 51749.5.

Not Applicable<sup>4</sup>: Navigator did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable<sup>5</sup>: Navigator did not receive a CTEIG allocation for the audit year.

Yes<sup>6</sup>: Transitional kindergarten applicable to only Navigator (Watsonville) and (Hayward Collegiate). Navigator (Gilroy) and (Hollister) did not report ADA for the audit year for transitional kindergarten.

Not Applicable<sup>7</sup>: Navigator did not report ADA to the CDE as generated through nonclassroom-based instruction (independent study).

Board of Directors  
Navigator Schools

Not Applicable<sup>8</sup>: Navigator did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study).

Yes<sup>9</sup>: Charter School Facility Grant Program applicable to only Navigator (Watsonville) and (Hayward Collegiate). Navigator (Gilroy) and (Hollister) did not receive Charter School Facility Grant Program funding for the year audited.

### **Report on 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Glendora, California  
February 15, 2024

**NAVIGATOR SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**Section I – Summary of Auditors’ Results**

**Consolidated Financial Statements**

- 1. Type of auditors’ report issued: Unmodified
- 2. Internal control over financial reporting:
  - Material weakness(es) identified?     x     yes            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**

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
84.425C	Expanded Learning Opportunities (ELO) Grant GEER II
84.425D	Elementary and Secondary School Emergency Relief (ESSER) II & ELO ESSER II State Reserve
84.425U	ESSER III, ESSER III: Learning Loss, ESSER III: Emergency Needs & ELO ESSER III State Reserve: Learning Loss

Dollar threshold used to distinguish between Type A and Type B programs:     \$ 750,000    

Auditee qualified as low-risk auditee?     x     yes            no

**NAVIGATOR SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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

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***Section II – Consolidated Financial Statement Findings***

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**2023-001 Internal Controls Relating to Financial Close and Reporting Process 30000**

**Type of finding:** Material weakness in internal controls over financial close and reporting process, related to adjustments made for revenue, accounts receivables, deferred revenue, cash, beginning net assets, and interest expenses.

**Condition:** During the course of our audit, we experienced significant delays in completing and issuing the audit report due to the financial close and reporting process. A total of 13 adjustments were posted after the trial balance was received which were audit adjustments. The client also provide closing entries.

**Criteria of specific requirement:** The financial close and reporting process should include review of financial information by resource codes and supporting schedules to ensure proper recording of all transactions in accordance with GAAP.

**Context:** Navigator did not record revenue, accounts receivables, and deferred revenues consistently with GAAP. Cash related to the LLC and interest expenses was not reconciled, which overstated cash and understated interest expense. Beginning net assets did not reconcile to prior year’s audit report, as a result of entries adjusted after the close.

**Effect:** Significant delays in completing and issuing the audit report by the state deadline.

**Cause:** Staffing shortages and issues in recording transactions based on resource codes to reconcile the general ledger to supporting schedules.

**NAVIGATOR SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section II – Consolidated Financial Statement Findings (Continued)***

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**2023-001 Internal Controls Relating to Financial Close and Reporting Process (Continued) 30000**

**Repeat finding:** Not a repeat finding.

**Recommendation:** We recommend that Navigator update its year-end closing procedures to include additional review to ensure all transactions are accounted by resource codes in accordance with GAAP.

**View of Responsible Officials and Corrective Action Plan:** Navigator will implement additional review processes to ensure transactions by resources codes are recorded according to GAAP standards.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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

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***Section IV – State Compliance Finding***

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There were no findings or questioned costs related to state awards for June 30, 2023.

**NAVIGATOR SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2023**

There were no findings and questioned costs related to the basic consolidated financial statements, federal, or state awards for the prior year.



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